

DOCUMENT WITHDRAWAL RECORD [NIXON PROJECT]

DOCUMENT NUMBER	DOCUMENT TYPE	SUBJECT/TITLE OR CORRESPONDENTS	DATE	RESTRICTION
1	MEMO	MEMORANDUM FOR THE HONORABLE PETER M FLANIGAN FROM: Charles E. Walker [2 pages]	5/26/70	D
2	MEMO	FOR: Honorable Peter M. Flanigan Honorable Harry S. Fleming FROM: Charles E. Walker	5/14/70	D
3	Ltr	"Dear Bob:"	4/25/70	D
4	List	Preliminary Membership List for PRESIDENTIAL COMMISSION ON FINANCIAL STRUCTURE AND REGULATION	N/A	D
5	List	Preliminary Membership List for.... [annotated]	N/A	D

FILE GROUP TITLE

BOX NUMBER

WHCF: Subject Files: FG 267

FOLDER TITLE

[Ex FG 267 Presidential Commission on Financial Structure and Regulation
1/1/71 { Oversize Attachment: 8120 Commission on Financial Structure }]

RESTRICTION CODES

- A. Release would violate a Federal statute or Agency Policy.
 B. National security classified information.
 C. Pending or approved claim that release would violate an individual's rights.
 D. Release would constitute a clearly unwarranted invasion of privacy or a libel of a living person.

- E. Release would disclose trade secrets or confidential commercial or financial information.
 F. Release would disclose investigatory information compiled for law enforcement purposes.
 G. Withdrawn and return private and personal material.
 H. Withdrawn and returned non-historical material.



The Bowery Savings Bank

110 EAST 42nd ST. NEW YORK, N. Y. 10017

(212) 697-1414

MORRIS D. CRAWFORD, JR.
Chairman of the Board

June 1, 1970

The Honorable Peter M. Flanigan,
Assistant to the President
West Wing
The White House
Washington, D.C. 20050

Dear Mr. Flanigan:

In accordance with the request of Under-secretary Charls Walker, I am enclosing a copy of my resume and of my letter to Mr. Walker, all in connection with the proposed Presidential Commission on Financial Institutions.

If there is any further information you wish, please let me know.

Sincerely,

MDCJr:vmd

Morris D. Crawford, Jr.

*Stewart ok
on 5/29/70
re: 5/29/70
note ok
C-111*

70 JUN 3 1970
RECEIVED



The Bowery Savings Bank

110 EAST 42nd ST. NEW YORK, N. Y. 10017

(212) 697-1414

MORRIS D. CRAWFORD, JR.
Chairman of the Board

June 1, 1970

The Honorable Charls E. Walker
Undersecretary of the Treasury
Department of the Treasury
15th Street and Pennsylvania Avenue
Washington, D.C. 20220

Dear Charlie:

In accordance with your telephone call today concerning the Presidential Commission on Financial Institutions, I enclose a copy of my biographical sketch, a copy of which I have also sent to Mr. Flanigan at the White House.

I hope to see you frequently in connection with the Commission's affairs.

Sincerely,

MDCJr:vmd

Morris D. Crawford, Jr.

BIOGRAPHICAL SKETCH

MORRIS D. CRAWFORD, JR.

CW

Morris D. Crawford, Jr. was born in 1915 in Nyack, New York. He is a 1937 graduate of Harvard College where he majored in Anthropology, a subject that continues to receive his attention when time permits.

After graduating from Harvard Law School in 1940, Mr. Crawford joined the New York law firm of Cadwalader, Wickersham & Taft, where he remained except for military service, until 1953 when he joined The Bowery Savings Bank. His legal experience stressed corporate practice, especially private placement financing and railroad reorganization. He also did some estate administration work.

His enlistment in the army early in 1942 began a four year military career which saw him rise from private to major. His army experience included tours as an instructor, company commander and regimental adjutant and ended with planning duties on General MacArthur's staff in the Pacific theater.

Mr. Crawford began his third career, this time as a banker, when he joined The Bowery as vice president and office counsel in 1953. In 1959 he was elected executive vice president and two years later became president of the Nation's largest mutual savings bank. He became chairman of the board of trustees, and chief executive officer on February 1, 1966.

(more)

In addition to his articles in various trade journals, Mr. Crawford has often advanced the cause of thrift and savings banking through his participation in discussion groups and panels. In 1964 he was elected president of the National Association of Mutual Savings Banks for a one-year term.

Mr. Crawford is chairman of the Business Advisory Committee, New York State Urban Development Corporation, a member of the board of the New York Urban Coalition, chairman of the board of the Regional Plan Association, and is also actively involved in savings bank trade associations' urban affairs.

In addition, Mr. Crawford serves the following organizations:

Grand Central Advisory Board, Chemical Bank New York
Trust Company;

The Salvation Army Advisory Board of New York City;

board of trustees, The Grant Foundation, Inc. -
chairman, finance committee;

board of trustees, Russell Sage Foundation -
chairman, finance committee;

board of trustees, Teachers Insurance & Annuity Association
and College Retirement Equities Fund;

chairman, advisory council, N.Y.C. Chapter, American
Institute of Banking;

consultative committee, International Savings Banks Institute;

State advisory committee, U.S. Savings Bond Division,
Treasury Department;

Board of Councilors of University of Southern California
Center for Urban Affairs

(more)

The Bowery's chief executive and Mrs. Crawford, the former Dorothy Babcock, live in Riverside, Connecticut. They have three children. When the distractions of his business and family life permit, Mr. Crawford enjoys tinkering with wood working and playing his hi-fi equipment. In addition to fishing, his outdoor interests include golf, a sport at which he has managed to master to the extent of breaking ninety - occasionally.

November, 1969



THE UNDER SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

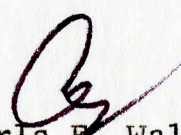
May 14, 1970

MEMORANDUM FOR THE HONORABLE PETER M. FLANIGAN

Subject: Commission on Financial Structure
and Regulation

Harry Flemming's office informs us that Robert O. Anderson is already on three presidential commissions. If this is so, should we turn our attention elsewhere?

You will recall that Al Nickerson, Atherton Beane, and Erwin Canham were alternates for this spot (a leading business man with experience as a Federal Reserve chairman). Since Canham (as you said) is on the population commission, and Nickerson is a New Yorker, how about moving toward Beane? The geography is good, Minneapolis, and I have heard some very good things about him.


Charles E. Walker

cc: Harry S. Flemming

Some message to Walker's secret. 5/14
Hold up on this.



THE UNDER SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

MAY 5 1970

MEMORANDUM FOR THE HONORABLE PETER M. FLANIGAN

I have arranged a meeting for Saturday morning in Seattle with Sam Chase, Professor of Economics at the University of Montana, Don Jacobs of Northwestern, and Al Phillips of the University of Pennsylvania, for a sort of "feeling out" session with Reed Hunt. Sam and Don are both registered Republicans, while Al Phillips is a Democrat. However, he is a professor of both economics and law at the University of Pennsylvania and is recognized as an outstanding expert in the field of corporate structure. He was a classmate of mine at Wharton in 1947 and 1948 and is a very sharp economist.*

Our preliminary thinking on this is that Sam Chase would be the head of a Troika-type arrangement. Sam lives in Missoula, Montana. However, it's only a little over an hour on a direct flight to Seattle. Don Jacobs and Al would complement Sam in many areas to make sure we have the whole field covered. These three, incidentally, were the most impressive contributors at the brainstorming session we held in the Treasury this past week.

I will give you a report on the meeting the first part of next week.

Charles E. Walker

*He is also a close personal friend of mine.

MAY 2 3 23 PM '70
RECEIVED

THE WHITE HOUSE

WASHINGTON

May 1, 1970

MEMORANDUM TO: PETER M. FLANIGAN

FROM: MALISE C. BLOCH

CACB

RE: PRESIDENTIAL COMMISSION ON FINANCIAL
STRUCTURE AND REGULATION

Listed below are the results of political affiliation checks on 31 of the candidates for the Commission on Financial Structure and Regulation.

Anderson, Robert O.	Republican
Bach, George L.	Republican
Barr, John A.	Democrat
Beane, Atherton	Independent with Republican leanings
Brown, R. Manning, Jr.	Republican
Chandler, Lester	Democrat
Collins, William T.	Republican
Cook, George	Republican
Crawford, Morris	Republican
Dusenberry, James	Republican
Edgerton, Howard	Republican
Gilbert, Richard	Republican
Greenspan, Alan	Republican
Hansberger, Robert	Republican
Hauge, Gabriel	Republican
Hoadley, Walter E.	Republican
Hull, Roger	Republican
Johnson, Ed	Republican
Kemper, James, Jr.	Republican
Lindholm, Richard	Republican
Lintner, John, Sr.	Republican
McNaughton, Donald	Republican
Morton, William	Republican

MAY 3 15 2014
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Price, James
Randall, Kay
Renstrom, Carl
Rouse, Jim
Saulnier, Ralph
Stewart, Robert
Woener, Marvin

Republican
Republican
Republican
Democrat
Republican
Republican
Democrat

THE WHITE HOUSE

WASHINGTON

April 23, 1970

MEMORANDUM TO: PETER M. FLANIGAN

FROM: MALISE C. BLOCH *MCB*

RE: PRESIDENT'S COMMISSION ON FINANCIAL
STRUCTURE AND REGULATION

Harry Flemming asked me to forward you the attached biographical information on three persons to be considered for the President's Commission on Financial Structure and Regulation. These persons are: James R. Price, Lafayette, Indiana; William T. Collins, Alexandria, Virginia; and Carl Renstrom, Omaha, Nebraska.

Enc.

APR 23 1970
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NAME: William T. Collins

Home: 6308 Olde Towne Court
Alexandria, Virginia

Office: United Community National Bank
3940 Minnesota Avenue, N. E.
Washington, D. C.

Date and Place of Birth: Chicago, Ill.; Aug. 20, 1906

Education: Completed high school in Ohio. Never had a formal college education but has taken accounting courses at Northwestern University, Evanston, Ill.

Career: In banking for 45 years. Until 1962 worked in a variety of Chicago banks including First National, Union Trust Co., Continental Illinois National Bank & Trust Co., City National Bank & Trust, Lincoln National Bank.
In 1962 Mr. Collins moved to Washington as a Director and Executive Vice President of Columbia National Bank.
Currently he is Chairman of the Board, United Community National Bank.

Other: Republican, Black

1. Name: Carl W. Renstrom
2. Marital Status: married
3. Business Title, Address & Telephone:
Renstrom Enterprises, Inc. (diversified investments)
7101 Mercy Road
Omaha, Nebraska 68106 (402) 391-3424
4. Home Address & Telephone:
10001 Pacific Street
Omaha, Nebraska 68114 (402) 391-2236
(402) 391-1221
5. Date of Birth: Sept. 27, 1902
6. Place of Birth: Omaha, Neb.
7. Educational Background:
8. Brief Description of Business Career:
Former owner, Tiptop (hair) Products

JAMES ROBERT PRICE

Home: 3500 Cypress Lane
Lafayette, Indiana

Office: 52 By-Pass
Lafayette, Indiana

Date and Place of Birth: Fowler, Indiana, 9/28/11

Education: attended Indiana University

Career: President since 1944 of National Homes Corp.
Chairman of the Board, Chief Executive Officer since 1958

PRICE, James Robert
President, Chmn. of Board, Chief Executive Officer
National Homes Corp

3500 Cypress Lane (home)
Lafayette, Indiana

Recommended:

Harry Flemming

RENSTROM, Carl W.
Renstrom Enterprises, Inc. (diversified investments)
7101 Mercy Road
Omaha, Nebraska 68106

Recommended:

Harry Flemming

COLLINS, William T
United Community National Bank
3940 Minnesota Avenue NE
Washington, D. C.

Recommended:

Harry Flemming

U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

APR 16 1970

MEMORANDUM FOR HONORABLE PETER M. FLANIGAN
ASSISTANT TO THE PRESIDENT

Here are three names of people who could make
constructive contributions to your Commission on
the Structure of Financial Institutions.

Mr. John Evans
Director
Department of Urban Affairs
AFL-CIO

(Also manages the Mortgage
Investment Trust, a small
union portfolio directed
toward housing.)

Mr. Howard Samuels
Assistant Vice President
Amalgamated Clothing Workers

(As you may know, this union
operates a small bank.)

Mr. Wilbur Daniels
Vice President
International Ladies' Garment Workers Union

(Also a constructive member of the
Advisory Committee on Pension and
Welfare Funds.)

2. Nat Goldfinger - AFL-CIO
How about Research Dir.

1. Kirkland - Meany's right hand
man. Kirkland surprised
Burns with his knowledge
of human

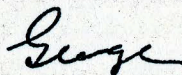
Better

He has
smart good
operator - came up
from research

How about
the individual
who runs the
bank.

-2-

I have had good reports on each of these men and I would expect any one of them to be able to serve effectively on the Commission. I have not asked about their party affiliation, but my guess is that all of them are Democrats.



George P. Shultz
Secretary of Labor

APR 11 1970
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Preliminary Membership List for
PRESIDENTIAL COMMISSION ON FINANCIAL STRUCTURE AND REGULATION

to file

<u>Number of Members</u>	<u>Category (a)</u>	<u>Sub Category</u>	<u>Name</u>	<u>State</u>	<u>Extra Dimension</u>
2	Reserve City Bank	National Bank State Bank ?	(X) Bob Stewart (X) Gabe Hauge <i>6/2 OK</i>	Texas New York	Economist
1	Country Bank		William T. Collins (?)	D.C.	Black
1	Bank Holding Company <i>Small Banker</i>		(X) Kay Randall (X) Rex Northland	Virginia	Regulator, Small Ba Bennett's man <i>Spaulmans man</i>
1	Savings		(X) Morris Crawford	New York	
2	Savings & Loan Association	Mutual Assoc. Mutual Assoc. Stock Assoc. Stock Assoc.	(X) (1) Howard Edgerton (?) (2) Hans Getirke (?) (1) Ed Johnson (?) (X) (2) Richard Gilbert (?)	Calif. Michigan Calif. Ohio	Candidate of U.S. Loan League
1	Federal Reserve System	? <i>PHD call - No</i>	(1) R.O. Anderson (2) Atherton Beane (?)	New Mexico Minnesota	Industrialist Industrialist

6/2 Hold for one week

*18 mos
2nd weekend mts
1st 3rd wk in June
2nd 1st wk in Aug
Commission will set up*

(X) Chairman - Reed Hunt
(X) Kunkland

<u>Number of Members</u>	<u>Category (a)</u>	<u>Sub Category</u>	<u>Name</u>	<u>State</u>	<u>Extra Dimension</u>
3	Economist		→ Shultz says "no" → ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ Lester Chandler Greenspan 6/4 OK Saulnier Dusenberry Bach Lindholm Linter Barr Hoadley Solomon	New Jersey New York New York Mass. Calif. Oregon Mass. Illinois	Dir. of Phi. Fed. Nixon Economist Former CEA Chairman Businessman Banker
2	Builder		? → (1) Marvin Woener (2) Bob Hansberger (?) (3) Jim Rouse (?) (4) Carl Renstrom (?) (5) James Price (?) Henry Green Grant	Ohio Idaho Md.	Sparkman's candidate Industrialist Mortgage broker
1	Pension Fund	Business fund	→ ✓ Harvey Mole Malone	New York	Wants to talk to Tyson. Will call CW Thurs.
2	Life Insurance Company	Mutual company Mutual company Mutual company Stock company Stock company	✓ ✓ ✓ ✓ ? (1) Donald McNaughton (?) (2) Roger Hull (?) (3) Manning Brown (?) (1) George Cook (2) James Kemper, Jr. Grant	New York New York Nebraska	Prudential
2	Businessmen		→ → ✓ ✓ William Morton Walter Holmes	New York New York	Investment banker Finance company manager
1	Lawyer (b)		✓ Ralph Regulla	Ohio	Bow's candidate

- (a) Two additional members suggested by Congressmen Patman and Widnall will be added.
- (b) Congressman Ford is strongly urging Mr. Lawson E. Becker, Counsel to Michigan Bankers Association. very good, but we are avoiding Association people.

4/17/70

PMF

Don Hoffman *file*

Preliminary Membership List for
PRESIDENTIAL COMMISSION ON FINANCIAL STRUCTURE AND REGULATION

*This page 9/27
given to
Hunning
clean.*

<u>Number of Members</u>	<u>Category</u>	<u>Sub Category</u>	<u>NAME AGREED UPON</u>	<u>State</u>	<u>Extra Dimension</u>
1	Chairman		Reed Hunt	Washington	Industrialist
2	Reserve City Bank	National Bank	Bob Stewart	Texas	
		State Bank	Gabe Hauge	New York	Economist
1	Bank Holding Company		Kay Randall	Virginia	Regulator, Small Bank, Bennett's Man
1	Savings		Morris Crawford	New York	
2	Savings & Loan Association	Mutual Assoc. Stock Assoc.	Howard Edgerton Richard Gilbert	California Ohio	Candidate of U.S. Loan League
3	Economist		Greenspan Saulnier <i>Bach</i>	New York New York <i>Calif</i>	Nixon Economist Former CEA Chm. <i>DI</i>
1	Builder		Marvin Warner <i>Jim Rouse</i>	Ohio	Sparkman's Candidate (D)
2	Pension Fund	Business Fund	Harvey Molé <i>Kirkland</i>	New York <i>DC</i>	Business Fund <i>Reagan's man</i>
2	Businessmen	<i>Not labor yet</i>	William Morton Walter Holmes	New York New York	Investment Banker Finance Co. Mgr
1	Lawyer		Ralph Regulla	Ohio	Bow's Candidate
1	<i>Not yet</i> Insurance man	Stock Co	<i>Jim Kemper</i>	<i>Ill</i>	

Preliminary Membership List for
PRESIDENTIAL COMMISSION ON FINANCIAL STRUCTURE AND REGULATION

<u>Number of Members</u>	<u>Category</u>	<u>Sub Category</u>	<u>NAME</u> <u>NOT AGREED UPON</u>	<u>State</u>	<u>Extra Dimension</u>
1	Federal Reserve System		X R.O. Anderson	N.Mex.	Industrialist
✓ 1	Economist		Lester Chandler Dusenberry X Bach Lindholm Lintner Barr Hoadley	N.J. Mass. Calif. Oregon Mass. Ill. Calif.	Past Dir. Phi Fed Kennedy CEA (D) (A) Dean of Sch of Bus. Businessman Banker
1	Builder	7.	Bob Hansberger X Jim Rouse Carl Renstrom James Price	Idaho Md.	Industrialist Mortgage Broker (D)
2	Life Insurance Co.	Mutual Co. " " Stock Co. " Mutual Co.	X Donald McNaughton Roger Hull Manning Brown George Cook X James Kemper, Jr. Joe Goodloe	Ind. N.Y. N.Y. Neb. Ill. N.C.	man Prudential (Widnall) MONY Bankers Life Ins. Co. N.C. Mutual Life Ins. co. (black)
1	Pension Fund	Labor fund	X Kirkland Nat Goldfinger John Evans Howard Samuels Wilbur Daniels		Sec. Treas. AFL-CIO (D) Res. Div. AFL-CIO (D) Dir. Dept. of Urban Affrs. AFL-CIO (D) Ass. VP Amalgamated Clothing Workers (D) VP Internat'l Ladies Garm. Union (D) (D)
1	Patman nominee				

*(Repub
1st Rate
Lower headed
Int. in Social Problems)*

Mutual

Small Banker

Rex Northland

Spahnman's

Preliminary Membership List for
PRESIDENTIAL COMMISSION ON FINANCIAL STRUCTURE AND REGULATION

<u>Number of Members</u>	<u>Category</u>	<u>Sub Category</u>	<u>NAME</u> <u>NOT AGREED UPON</u>	<u>State</u>	<u>Extra Dimension</u>
1	Federal Reserve System		R.O.Anderson	N.Mex.	Industrialist
1	Economist		Lester Chandler ⁶⁴ Dusenberry X Bach Burns, Walker Lindholm Lintner Barr Hoadley	N.J. Mass. Calif. Oregon Mass. Ill. Calif.	Past Dir. Phi Fed Kennedy CEA (D) (D) Dean of Sch of Bus. Businessman Banker
1	Builder		Bob Hansberger X Jim Rouse Carl Renstrom James Price	Idaho Md.	Industrialist Mortgage Broker (D)
2	Life Insurance Co.	Mutual Co. " " Stock Co. " Mutual Co.	Donald McNaughton Roger Hull Manning Brown George Cook X James Kemper, Jr. Joe Goodloe	N.J. Ill. N.Y. N.Y. Neb. Ill. N.C.	man Prudential(Widnall) MONY Bankers Life Ins.Co. N.C.Mutual Life Ins. co. (black)
1	Pension Fund	Labor fund	X Kirkland Nat Goldfinger John Evans Howard Samuels Wilbur Daniels (Walker will call)	D.C.	Sec.Treas.AFL-CIO(D) Res.Div.AFL-CIO(D) Dir.Dept.of Urban Affrs.AFL-CIO (D) Ass.VP Amalgamated Clothing Workers VP Internat'l Ladies Garm. Union (D) (D)
1	Patman nominee				

Preliminary Membership List for
PRESIDENTIAL COMMISSION ON FINANCIAL STRUCTURE AND REGULATION

<u>Number of Members</u>	<u>Category</u>	<u>Sub Category</u>	<u>NAME AGREED UPON</u>	<u>State</u>	<u>Extra Dimension</u>
1	Chairman		Reed Hunt	Washington	Industrialist
2	Reserve City Bank	National Bank State Bank	Bob Stewart Gabe Hauge	Texas New York	Economist
1	Bank Holding Company		Kay Randall	Virginia	Regulator, Small Bank, Bennett's Man
1	Savings		Morris Crawford	New York	
2	Savings & Loan Association	Mutual Assoc. Stock Assoc.	Howard Edgerton Richard Gilbert	California Ohio	Candidate of U.S. Loan League
2	Economist		Greenspan Saulnier	New York New York	Nixon Economist Former CEA Chm.
1	Builder		Marvin Warner	Ohio	Sparkman's Candidate (D)
1	Pension Fund	Business Fund	Harvey Molé	New York	Business Fund
2	Businessmen		William Morton Walter Holmes	New York New York	Investment Banker Finance Co. Mgr.
1	Lawyer		Ralph Regulla	Ohio	Bow's Candidate

Preliminary Membership List for
PRESIDENTIAL COMMISSION ON FINANCIAL STRUCTURE AND REGULATION

<u>Number of Members</u>	<u>Category</u>	<u>Sub Category</u>	<u>NAME</u> <u>NOT AGREED UPON</u>	<u>State</u>	<u>Extra Dimension</u>
1	Federal Reserve System		R.O.Anderson	N.Mex.	Industrialist
1	Economist		Lester Chandler	N.J.	Past Dir. Phi Fed
			Dusenberry	Mass.	Kennedy CEA (D)
			Bach	Calif.	(D)
			Lindholm	Oregon	Dean of Sch of Bus.
			Lintner	Mass.	
			Barr	Ill.	Businessman
			Hoadley	Calif.	Banker
1	Builder		Bob Hansberger	Idaho	Industrialist
			Jim Rouse	Md.	Mortgage Broker (D)
			Carl Renstrom		
			James Price		
2	Life Insurance Co.	Mutual Co.	Donald McNaughton	Ind.	man Prudential(Widnall)
		"	Roger Hull	N.Y.	MONY
		"	Manning Brown	N.Y.	
		Stock Co.	George Cook	Neb.	Bankers Life Ins.Co.
		M "	James Kemper, Jr.	Ill.	
		Mutual Co.	Joe Goodloe	N.C.	N.C.Mutual Life Ins. co. (black)
1	Pension Fund	Labor fund	Kirkland		Sec.Treas.AFL-CIO(D)
			Nat Goldfinger		Res.Div.AFL-CIO(D)
			John Evans		Dir.Dept.of Urban Affrs.AFL-CIO (D)
			Howard Samuels		Ass.VP Amalgamated Clothing Workers (D)
			Wilbur Daniels		VP Internat'l Ladies Garm. Union (D)
1	Patman nominee				(D)

Preliminary Membership List for
PRESIDENTIAL COMMISSION ON FINANCIAL STRUCTURE AND REGULATION

4/25/70
2

Agreed

Number of Members	Category (a)	Sub Category	Name	State	Extra Dimension
<i>A</i> 2	<i>Chairman</i> Reserve City Bank	National Bank State Bank	<i>Agreed</i> <i>UPON</i> Bob Stewart Gabe Hauge	✓ Texas ✓ New York	Economist
<i>A</i> 1	Country Bank		William T. Collins (?)	D.C.	Black
<i>A</i> 1	Bank Holding Company		Kay Randall	✓ Virginia	Regulator, Small Bank Bennett's man
<i>A</i> 1	Savings		Morris Crawford	✓ New York	
<i>A</i> 2	Savings & Loan Association	Mutual Assoc. Mutual Assoc. Stock Assoc. Stock Assoc.	<i>9</i> (1) Howard Edgerton (1) ✓ (2) Hans Getirke (2) (1) Ed Johnson (1) <i>2</i> (2) Richard Gilbert (1) ✓	✓ Calif. Michigan Calif. ✓ Ohio	Candidate of U.S. Loan League
<i>A</i> 1	Federal Reserve System		(1) R.O. Anderson (2) Atherton Beane (2)	✓ New Mexico Minnesota	Industrialist Industrialist

Real Hunt *Wash up* *Industrialist*

Number of
Members

Category (a)

Sub Category

Name

State

Extra
Dimension

2

Economist

*Burns
Anderson left - liberal
Demo who's against us*

A 1
Lester Chandler *64*
Greenspan *✓*
Saulnier *61*
Dusenberry
Bach *AB says Demo + good*
Lindholm *NO-negative comments*
Linter
Barr
Hoadley

New Jersey
New York
New York
Mass.
Calif. *2nd man*
Oregon
Mass.
Illinois
Calif.

Part
Dir. of Phi. Fed.
Nixon Economist
Former CEA Chairman
Kennedy CEA, *Chairman of Fed. Res.*
Dean of School of Business
Businessman
Banker

1

Builder

A
0 (1) Marvin Wener
(2) Bob Hansberger *(✓)*
(3) Jim Rouse *(✓)*
(4) Carl Renstrom *(✓)*
(5) James Price *(✓)*

Ohio
Idaho
Md.

Sparkman's candidate
Industrialist
Mortgage broker

A 1

Pension Fund

A Business fund
Labor fund

Harvey Mole

New York

Business Fund
See Treasurer *PH-150*

2

*Call (1) Hull - Burns says
soft on money
(2) Brady - Burns says
good - industry stakeholders*
Life Insurance (7)
Company

Stock company
Mutual company
Mutual company
Mutual company
Stock company
Stock company

Henry Road
(1) Donald McNaughton *(✓)*
(2) Roger Hull *(✓) Tony*
(3) Manning Brown *(✓)*
(1) George Cook
(2) James Kemper, Jr.

Ind.
New York
New York
Nebraska
Illinois
W.C.

W. H. Mole
Home - London Nat'l life
Prudential, *Widnall's man*
MONY

A 2

Businessmen

Mutual company
Stock company

(1) William Morton
(1) Walter Holmes

New York
New York

Bankers life Ins. Co.
N.C. Mutual Life Ins. Co.
Black
Comp. Group
Investment banker
Finance company
manager

A 1

Lawyer (b)

Ralph Regulla

Ohio

Bow's candidate

Demo. Patman

- (a) Two additional members suggested by Congressmen Patman and Widnall will be added.
(b) Congressman Ford is strongly urging Mr. Lawson E. Becker, Counsel to Michigan Bankers Association. very good, but we are avoiding Association people.

25
4/17/70

PMF

THE WHITE HOUSE

WASHINGTON

June 26, 1970

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Appointment of Members to the President's Commission on
Financial Structure and Regulation.

Attached for your approval and signature are the appointment papers
for the following-named persons to be Members of the President's
Commission on Financial Structure and Regulation.

Atherton Bean, of Minnesota, Chairman and Chief Executive Officer,
International Milling Company, Minneapolis, Minnesota.

Morgan Earnest, of Louisiana, Earnest Homes, New Orleans, Louisiana.

William D. Grant, of Missouri, Chairman of the Board, Businessmen's
Assurance Company, of America, Kansas City, Missouri.

Edward H. Malone, of New York, Vice President, Trust Operations,
General Electric Corporation, Long Island, New York.

Ezra Solomon, of California, Professor of Finance, Stanford University,
Stanford, California.

All necessary checks have been completed.


Harry S. Hemming

(for)

Attachment

FOR: Harry S. Flemming
FROM: Special Projects / Malise C. Bloch
SUBJECT: Appointment Clearance Request

DATE: June 15, 1970

Clearance Requested--

FBI

HILL

FIELD

Full Name Atherton Bean

Department or Agency Not applicable

Position Mbr., Pres. Cmsn. on Financial Structure and Regulation

Type of Appointment Presidential

Grade or Salary

Date and Place of Birth New Prague, Minnesota -- 9/14/10

*Started FBI 6/15
by phone*

Home Address & Voting Residence 2001 Dwight Lane -- Minnetonka, Minnesota

*2825 Lake of the Isle * Minneapolis, Minn. 55405*

Business Address Investors Bldg., Minneapolis, Minn.

Political Affiliation; Political Experience and/or Offices Held
Independent with Republican leanings

Career History Chrm., chief exec. officer since 1964 of International Milling Co.; Chrm., Bd. of Trustees, Carleton College

Education A.B., summa cum laude, Carleton College

Recommended by Peter Flanigan

Comments:

MacGregor (Willow) 6/15

Ezell 6/15 O.K.

Republican leanings

BEAN, Atherton, business exec.; b. New Prague, Minn., Sept. 14, 1910; s. Francis Atherton, Jr. and Bertha Juanita (Boynton) B.; student Blake Sch.; A.B. summa cum laude, Carleton Coll., 1931; B.A., Oxford U. (Rhodes Scholar), 1934; grad. study Harvard Bus. Adminstrn. Sch., 1931-32; m. Winifred E. Wollaeger, June 26, 1934; children—Douglas Atherton, Bruce William. With Upjohn Co., Dallas, 1934-36, duPont Co., Wilmington, Del., 1936-37; price exec. O.P.A., Washington, 1942-43; joined Internat. Milling Co., Mpls., 1937, exec. v.p., 1938-55, pres., 1955-64, chmn., chief exec., 1964—; dir.; v.p., dir. Robin Hood Flour Mills, Ltd. (Can.); chmn. bd. 9th dist. Fed. Reserve Bank, 1961-65; director 1st National Bank of Mpls., Molinos Nacionales (Venezuela). Trustee Mpls. Inst. Arts, Mayo Found. (Rochester); chmn. bd. trustees Carleton Coll., Northfield, Minn. Served as civilian, spl. br. M.I. 1943-44. Home: 3001 Dwight Lane, Minnetonka, Minn. 55343. Office: Investors Bldg., Mpls. 2.

CONFIDENTIAL MEMORANDUM (WHIS USE ONLY)

FOR: Harry S. Flemming
FROM: Special Projects /Malise Bloch
SUBJECT: Appointment Clearance Request

DATE: 2 June, 1970

Clearance Requested--

FBI

HILL

FIELD

Full Name Morgan Earnest

Department or Agency Pres. Comm. on Financial Structure and Regulation

Position member

Type of Appointment PA

Grade or Salary

Date and Place of Birth Jan. 24, 1918 Bunkie, La.

Home Address & Voting Residence 5718 Mandiville St., New Orleans, La.

Business Address Earnest Homes, 5604 Rickey Metrie, New Orleans, La.
7711 Allison Road, New Orleans, La.

Political Affiliation; Political Experience and/or Offices Held
Republican

Career History

Education

Recommended by Peter Flanigan
Comments:

FOR: Harry S. Flemming
FROM: Special Projects / Malise C. Bloch
SUBJECT: Appointment Clearance Request

DATE: 6/9/70

Clearance Requested--

FBI

HILL

FIELD

Full Name William D. Grant

Department or Agency Not applicable

Position Mbr., Pres. Cmsn. on Financial Structure and Regulation

Type of Appointment Presidential

Grade or Salary

Date and Place of Birth Kansas City, Mo. 2/10/17

Home Address & Voting Residence 5821 Brookbank Lane, Kansas City, Mo.

Business Address 1 Penn Valley Park, Kansas City, Mo.

Political Affiliation; Political Experience and/or Offices Held

Career History Head of Businessmen Assurance Co. of America

Education

Recommended by Undersecretary Charls Walker

Comments:

GRANT, William Down, ins. co. exec.; b. Kansas City, Mo., Feb. 10, 1917; s. William Thomas and Frances (Downing) G.; A.B., U. Kan., 1939; grad. Wharton Sch. Finance, 1940; m. Mary Noel, June 24, 1941; children—Laura Noel, William Thomas II. With Business Men's Assurance Co., Kansas City, Mo., 1941—, v.p. charge reins., 1951-56, exec. v.p., 1956-60, pres., 1960—, also dir.; dir. City Nat. Bank & Trust Co., U.P. R.R., Kansas City Power & Light Co. Mem. exec. com. Am. Life Conv; exec. com. of bd. Health Ins. Inst.; bd. dirs. Inst. Life Ins., Am. Service Bur.; nat. trustee Am. Field Service. Trustee Kansas City Conservatory of Music, Union Pacific R.R. Found. Served as comdr. USNR, World War II. Mem. Am. Coll. Life Underwriters (trustee). Home: 5821 Brookbank Lane, Shawnee Mission, Kan. 66208. Office: FMA Tower, Kansas City, Mo.

at the Richard Nixon Presidential Library a

Clear
EL

FOR: Harry S. Flemming
FROM: Special Projects / Malise C. Bloch
SUBJECT: Appointment Clearance Request

DATE: 6/12/70

Clearance Requested--

FBI

HILL

FIELD

Full Name Edward H. Malone

Department or Agency Not applicable

Position Mbr., Pres. Cmsn. on Financial Structure and Regulation

Type of Appointment Presidential

Grade or Salary

Date and Place of Birth 11/11/24 -- NY, NY

Home Address & Voting Residence 30 Camel Hollow Rd., Huntington, Long Island, New York 11743

Business Address

Political Affiliation; Political Experience and/or Offices Held

Career History Vice President, Trust Operations, General Electric Corp.

Education

Recommended by Flanigan/Walker/Flemming

Comments:

FOR: Harry S. Flemming
FROM: Special Projects/ Malise C. Bloch
SUBJECT: Appointment Clearance Request
DATE: 6/9/70

Clearance Requested--

FBI

HILL

FIELD

Full Name ~~Dr. Dean Witter~~ ZZRA SOLOMON

Department or Agency Not applicable

Position Mbr., Pres. Cmsn. on Financial Structure and Regulation

Type of Appointment Presidential

Grade or Salary

Date and Place of Birth 3/20/20 -- Rangoon, Burma

Home Address & Voting Residence 775 Santa Inez Ave., Stanford, Calif.

Business Address Graduate School of Business at Stanford

Political Affiliation; Political Experience and/or Offices Held

Career History Professor of Finance at Stanford

Education

Recommended by Under Secretary Walker

Comments:

June 18, 1970

TO: NOBLE MELENCAMP
FROM: JONATHAN ROSE' OFFICE

Per your telephone request this morning, I am attaching a draft letter to Chairman Reed Hunt, which Dr. Charles Walker's assistant at Treasury dictated. Mr. Rose would like you to embellish on this if possible. However, it it's still too skimpy please let me know and I'll try again.

Also attached are the names and addresses of the five members who were not announced earlier this week. Clearance has been completed on only three of them: Bean, Malone and Grant.

Thanks much.

Hunter

DRAFT

Dear Reed:

I am pleased that we finally got your Commission established and set in motion. As you well know, the work of the Commission will play a vital role in shaping the financial structure of this country in the decades ahead. I feel that you have an outstanding group of individuals to work with you on this important program and I wish you every success in your studies and deliberations.

With best wishes,

Sincerely,

(RN)

Mr. Reed Oliver Hunt
Post Office Box 366
Gig Harbor
Washington, D. C. 98335

June 18, 1970

ADDITIONAL MEMBERS OF COMMISSION ON ~~FINANCIAL~~
STRUCTURE AND REGULATION

Financial

(cleared) William D. Grant
Businessmen's Assurance Corporation
BMA Tower
31st Street and Southwest Trafficway
Kansas City, Missouri

(cleared) Atherton Bean
Chairman of the Board
International Milling Company
Investors Building
733 Marquette Avenue
Minneapolis, Minnesota 55402

(cleared) Edward H. Malone
Vice President
Trust Operations
General Electric Corporation
570 Lexington Avenue
New York, New York 10022

(not
cleared) Herschel Green
Green Construction Corporation
2855 Sunset Drive
South Miami, Florida 33143

(not
cleared) Dr. Ezra Solomon
Graduate School of Business
Stanford University
Stanford, California 94305

June 16, 1970

MEMORANDUM FOR NOBLE MEMENCAMP

FROM: JONATHAN ROSE

Noble, attached is Treasury's draft of a Presidential letter to the members of the Commission on Financial Structure and Regulation. I would very much appreciate your doing whatever "smoothing out" you think appropriate and seeing that the letters are dispatched as soon as possible. I suppose we'll want to send the Chairman, Reed Hunt, a revised and somewhat expanded version.

Also attached is a list of the addresses and appropriate salutations for the Commission members.

Many thanks for taking care of this project.

THE WHITE HOUSE

WASHINGTON

June 16, 1970

MEMORANDUM FOR NOBLE MELENCAMP

FROM: JONATHAN ROSE 

Noble, attached is Treasury's draft of a Presidential letter to the members of the Commission on Financial Structure and Regulation. I would very much appreciate your doing whatever "smoothing out" you think appropriate and seeing that the letters are dispatched as soon as possible. I suppose we'll want to send the Chairman, Reed Hunt, a revised and somewhat expanded version.

Also attached is a list of the addresses and appropriate salutations for the Commission members.

Many thanks for taking care of this project.

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

In my Economic Report last February, I pointed out that our economy must have strong and innovative financial institutions if our national savings are to be utilized effectively. At that time I announced that I would appoint a commission to study our financial structure and make recommendations to me for needed changes. On April 22, I appointed Mr. Reed O. Hunt, formerly Chief Executive Officer of Crown Zellerbach, to head the Commission. Today I am announcing its formal organization and the names of the outstanding citizens who have agreed to serve as members.

The Commission has a broad mandate: To review and study the structure, operation, and regulation of the private financial institutions in the United States, for the purpose of formulating recommendations which would improve the functioning of the private financial system. Just as the mandate is broad, no rigid timetable for interim or final reports has been set. We would hope to receive the final report, however, before the beginning of the second session of the 92nd Congress-- or by December, 1971.

Since the announcement of his appointment in April, Mr. Hunt has been working with Administration officials and private economists in planning the Commission's study. The recommendations that have resulted from this study will be presented to the Commission at its first meeting, in the latter part of June.

A great deal of top-level study and planning has gone into the formation of this Commission. I am optimistic that the result will be a series of constructive and achievable legislative proposals -- proposals which will advance our basic goal of shaping the financial system so as to meet the credit needs of the U.S. economy and its people in the decades ahead.

The members of the Commission on Financial Structure and Regulation are:

Reed Oliver Hunt, Chairman

Former Chairman of the Board and Chief Executive Officer of the
Crown Zellerbach Corporation

✓ Morris D. Crawford, Jr.

Chairman, The Bowery Savings Bank, New York, New York

✓ James Howard Edgerton

President, California Federal Savings and Loan Association
Los Angeles, California

✓ Richard G. Gilbert

President, Citizens Savings, Canton, Ohio

✓ Alan Greenspan

President, Townsend-Greenspan and Company, New York, New York

✓ Walter S. Holmes, Jr.

President, C.I.T. Financial Corporation, New York, New York

✓ Lane Kirkland

Secretary-Treasurer, AFL-CIO, Washington, D.C.

✓ Rex J. Morthland

President, Peoples Bank and Trust Company, Selma, Alabama

MORE

✓ William H. Morton

President, American Express Company, New York, New York

✓ Donald S. MacNaughton

Chairman, The Prudential Insurance Company of America
Newark, New Jersey

✓ Ellmore C. Patterson

President, Morgan Guaranty Trust Company, New York, New York

✓ K. A. Randall

Vice Chairman, United Virginia Bankshares, Inc., Richmond, Virginia

✓ Ralph S. Regula

Attorney, Navarre, Ohio

✓ Dr. R. J. Saulnier

Professor of Economics, Barnard College, New York, New York

✓ Robert H. Stewart III

Chairman, First National Bank in Dallas, Dallas, Texas

#

THE WHITE HOUSE

WASHINGTON

June 12, 1970

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Appointment of Members to the President's Commission on Financial Structure and Regulations.

Attached for your approval and signature are appointment papers for the following-named persons to be members of the President's Commission on Financial Structure and Regulation.

Robert O. Anderson, of New Mexico, Chairman and Chief Executive Officer, Atlantic-Richfield, Roswell, New Mexico. *New Mex*

410 East College Blvd. SPO. Box 1000 88201
Morris D. Crawford, of Connecticut, Chairman, The Bowery Savings Bank, New York, New York.

110 East 42nd St. New York, N.Y. 10017
J. Howard Edgerton, of California, President, California Federal Savings & Loan Association, Los Angeles, California. *Don Howard*

5670 Wilshire Blvd. - 90036
Richard G. Gilbert, of Ohio, President, Citizens Savings, Canton, Ohio. *44702*
Central Plaza

Alan Greenspan, of New York, President, Townsend-Greenspan & Company, New York, New York. *Alan*

860 United Nations Plaza 10017
Walter S. Holmes, Jr., of New Jersey, President, C.I.T. Financial Corporation, New York, New York. *10022*

650 Madison Ave
Lane Kirkland, of the District of Columbia, Secretary-Treasurer, AFL-CIO, Washington, D. C. *20036*

815 - 1626 St. N.W.
William H. Morton, of New York, President, American Express Company, New York, New York. *10004*

65 Broadway
Donald S. MacNaughton, of New Jersey, Chairman, The Prudential Insurance Company of America, Newark, New Jersey. *07101*

Bank of Alabama
Rex J. Morthland, of Alabama, President, Peoples Bank and Trust Company, Selma, Alabama. *36701*

Houston Park.

Ellmore C. Patterson, of New York, President, Morgan Guaranty Trust
Company, New York, New York. 10015

23 Wall St.
K. A. Randall, of Maryland, Vice Chairman, United Virginia Bankshares,
Inc., Richmond, Virginia. 23219
900 East main st.

Ralph S. Regula, of Ohio, Attorney, Navarre, Ohio.

R. J. Saulnier, of New York, Professor of Economics, Barnard College, Columbia
University, New York, New York. 10027

Robert H. Stewart, III, of Texas, Chairman, First National Bank in
Dallas, Dallas, Texas. 75202

1401 Elm St.
(All necessary checks have been completed.)

William D. Grant, Businessmen's Assurance Corporation, BMA
Building, 31st and Southwest Trafficway, Kansas City, Mo.

Reed Oliver Hunt, Chairman

~~Green Zellerbach Corporation~~

P.O. Box 366

Gig Harbor

Washington, D.C. 98335

Attachments

Harry S. Flemming

Date 4/10/70

From the desk of Charles E. Walker

To: Secretary Kennedy
Director Robert P. Mayo - BOB
Chairman Paul W. McCracken-Coun. of Econ. Adv.
✓ Peter M. Flanigan-Assistant to the President

Herewith a draft Executive Order establishing Commission.

C.E.W.

The Under Secretary of the Treasury
Room 3326

D R A F T

EXECUTIVE ORDER

ESTABLISHING THE PRESIDENT'S COMMISSION ON FINANCIAL STRUCTURE
AND REGULATION

By virtue of the authority invested in me by the Constitution and Statutes of the United States, and as President of the United States, it is ordered as follows:

Section 1. Establishment of the Commission. (a) There is hereby established the President's Commission on Financial Structure and Regulation (herein after referred to as the "Commission").

(b) The Commission shall be composed of not more than *twenty-five* members to be appointed by the President. The Chairman and Vice Chairman of the Commission shall be designated by the President from among the members.

(c) Members of the Commission who are otherwise compensated by the United States for full-time service shall serve without compensation in addition to that received for their full-time service; but they shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by law. Other members of the Commission shall receive compensation at the rate of \$100 per diem when engaged in the actual performance of duties vested in the Commission, and they shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by 5 U.S.C. 5703, for persons in the Government service employed intermittently.

Section 2. Functions of the Commission.

* * *

Section 3. Administrative arrangements. (a) A person designated by the Chairman shall serve as Director of the Commission. The Director shall perform such duties as the Chairman may from time to time direct.

(b) A person designated by the Chairman shall serve as Deputy Director of the Office and assist the Director in performing those duties assigned to him.

(c) The Commission is authorized to appoint such personnel as it deems necessary, to fix their compensation in accordance with law, to obtain services in accordance with the provisions of 5 U.S.C. 3109, and to enter into contracts for the conduct of studies necessary to the performance of its functions.

(d) The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, ~~the Comptroller of the Currency,~~ and the Federal Home Loan Bank Board shall extend full cooperation and assistance to the Commission in carrying out its responsibilities, shall make available to the Commission necessary office space, furnish necessary equipment, supplies and services and shall fund the operations of the Commission.

Section 4. Reports and termination. The Commission shall present such interim reports to the President as the President or the Commission shall deem appropriate. The Commission shall present its final report not later than eighteen months years from the date of the Order. The Commission shall terminate 30 days following the submission of its final report.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

March 20, 1970

TO: BOB HALDEMAN

FROM: PETER FLANIGAN

Re your inquiry, stimulated by Stans, concerning a Mr. Holmes for the Commission on Financial Structures, Holmes is on the preliminary list that has been submitted by Dr. Walker. As a matter of fact, I had already recommended Holmes for the Commission. I will make every effort to see to it that Holmes is included among those chosen.

This Commission has more applicants among supporters and Congressmen than any Commission yet recommended. I assure you I will keep service to the President very much in mind as well as ability.

Attachment

Thanks -
Keep Mervyn Stans
posted
H

THE WHITE HOUSE
WASHINGTON

DATE

3/18

TO:

Pete Flanigan

FROM: BOB HALDEMAN

FYI

PLEASE HANDLE

PLEASE REVIEW AND SEE ME

OTHER:

This is one Navy raises
as a typical brush-off.
Can we force it
through?

H

Confidential.



THE SECRETARY OF THE TREASURY
WASHINGTON

FEB 17 1970

Dear Maury:

Thank you very much for recommending Mr. Walter S. Holmes, Jr. for the Commission on Financial Structure and Regulation. Several people have recommended Mr. Holmes so I want to assure you he will be given every consideration for appointment to the Commission. We consider this a very important project that will influence the structure and regulation of our financial institutions for the next several decades.

Again, thanks very much for your recommendation.

With best wishes,

Sincerely,

David

The Honorable
Maurice H. Stans
Secretary of Commerce
Washington, D. C. 20230

February 11, 1970

Dear Dave:

Several good and loyal friends of the Administration have suggested to me that Walter S. Holmes, Jr., would make an ideal member of the new Commission on Financial Structure and Regulation.

I enclose herewith a copy of his biography. I do not know Holmes personally, but various friends tell me that he is a person of unusual ability, with a substantially different background and viewpoint than that which you might get from many financial people.

Sincerely,

Maurice H. Stans

Enclosure

The Honorable David M. Kennedy
Secretary of the Treasury
Washington, D. C.

PERSONAL

Walter S. Holmes, Jr., is president and chief administrative officer of C.I.T. Financial Corporation and a member of its board of directors. C.I.T. Financial is one of the nation's largest business enterprises, with major subsidiaries engaged in consumer and industrial financing and leasing, factoring, banking, life and casualty insurance, manufacturing and merchandising. Its total resources approximate \$4 billion. Headquarters is at 650 Madison Avenue, New York City.

He was born in South River, New Jersey, in 1919 and spent most of his youth in Philadelphia, Pennsylvania, attending public high school there and Lehigh University (B.S. 1941). He also holds an M.B.A. (1947) degree from New York University and is a certified public accountant. He was first employed by Haskins & Sells, public accountants, as an auditor in the Philadelphia area. He served in the U. S. Navy in 1942-45 as a lieutenant. He joined Franke, Hannon & Withey, a New York accounting firm, in 1945 and Radio Corporation of America in 1947 as assistant tax director. He was named assistant controller of R.C.A. in 1951 and controller in 1954.

He left R.C.A. in 1959 to become controller of C.I.T. Financial Corporation. He was elected a vice president of C.I.T., assuming general administrative responsibilities, in 1960 and became a member of the board of directors and

the executive committee in 1962. He was named executive vice president in 1964 and president in 1968.

Since 1965, Mr. Holmes has been a member of the board of directors, executive committee and credit policy committee of the National Bank of North America, the commercial bank subsidiary which C.I.T. acquired in that year. (It was then called the Meadow Brook National Bank.) As of June 30, 1969, the National Bank of North America was the 33rd largest bank in the country in size of deposits. At the close of 1969, the Bank had assets of approximately \$1.8 billion.

Mr. Holmes is a member of the Financial Executives Institute, American Institute of Certified Public Accountants and the Economic Club, New York. He has been active in the newly-formed United Fund of Greater New York. His church affiliation is Methodist. He is a Republican.

Mrs. Holmes is the former Elizabeth Jean Pringle. Mr. & Mrs. Holmes live at 507 Ridgewood Avenue, Glen Ridge, New Jersey, and also have a home at Ocean City, New Jersey. They have two sons.



THE UNDER SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

*File
Financial
Comm.*

Harold Williams - 42 MAR 18 1970
Past Fin V-P of [redacted] Northern Indiana Ind. & Exec V.P.
Dean WBA Bus. Sch

Mahoney - Well motivated - deliberate decision - very smart - extremely trustworthy, low key - quit because he didn't get chief exec + move to NY, I wanted to do things he considers meaningful. Well thought of by West Coast financial community. Peter Modest Liberal Demo.

MEMORANDUM FOR THE HONORABLE PETER M. FLANIGAN

Attached is a preliminary list of some 43 candidates for the Commission on Financial Structure and Regulation. This has been culled from a much longer list. However, the fact that some names haven't been included should not mean that we would vote against them. We simply thought that you would want to start the White House clearance process on some of these in order to save time when the chairman is appointed.

We were greatly disappointed that Arjay Miller decided that he could not take the time from his new deanship to chair the commission. In the process of discussion, we lost a great deal of time.

Make Committee member

We in Treasury believe that much can be said for obtaining a chairman and staff director from the West Coast. We are checking out three prospects:

NO — (0. Meredith Wilson, director of the Center for Advanced Study of Behavioral Sciences, Stanford; *Chairman of S.F. Fed.*

Don Garney, against Liberal Rep Minnesota

Check him - — (Reed Hunt, retired chairman and chief executive officer of Crown Zellerbach; and *Cooley - hard headed - was bank director, but not a financial man*
Good - — (Dr. Franklin Murphy, of the Los Angeles Times. *Cooley says I know Miller, info is that he is very much for Murphy.*
Do you have any reading on any of these men?

Marvin Bower

Haupe - known him

Charles E. Walker

Geo Baker

Ho(?) — *Al Nuthorn - No - due to Fed but is retiring.*
Niel Jacoby - Dean of UCLA Bus School (?)

George Leland Bach
Professor of Economics & Public Policy
Graduate School of Business
Stanford University
Stanford, California

George P. Baker
Harvard Graduate School of Business Administration
Soldiers Field, Boston

Harry Hood Bassett
Chairman of the Board
Southeast Bank Corp.
Miami, Florida

Stephen D. Bechtel, Jr.
President, Bechtel Corp.
San Francisco, Calif.

Marvin Bower
McKinsey & Co.
New York City

Courtney Brown
Former Dean, Graduate School of Business, Columbia University
former Associate Director of Research, Chase National Bank
Member of West Side Advisory Board, Chemical Bank, N.Y.C.
Member of Board of Public Governors, N.Y. Stock Exchange

R. Manning Brown, Jr.
President, N. Y. Life Insurance Co.
N.Y.C.

Henry A. Bubb
Chairman, Capital Federal Savings and Loan
700 Kansas Avenue
Topeka, Kansas

William L. Cary
Dwight Professor of Law
Columbia University

Lester V. Chandler
Professor of Economics
Princeton University

Edward P. Clark
President, Arlington Five Cents Savings Bank
Arlington, Mass.

Morris D. Crawford, Jr.
Chairman, The Bowery Savings Bank
110 East 42 Street
N.Y.C.

Eugene Donovan
President, Prudential Federal Savings and Loan
Salt Lake City

James S. Duesenberry
Professor of Economics
Harvard University

Wallace O. DuVall
Chairman, Atlanta Federal Savings and Loan
22 Marietta Street, N. W.
Atlanta, Ga.

William F. Earthman
President, Commerce Union Bank
Nashville, Tennessee

George H. Ellis
President, Keystone Custodian Funds, Inc.
Boston, Mass.

Gilbert W. Fitzhugh
Chairman, Metropolitan Life Ins. Co.
1 Madison Avenue
New York City

Hans Gehrke, Jr.
Chairman, First Federal Savings and Loan
1001 Woodward Avenue
Detroit, Mich.

Richard G. Gilbert
President, Citizens Savings Assn.
100 South Central Plaza
Canton, Ohio

Ben S. Gilmer
President, AT&T
N.Y.C.

Leo Grebler
Prof. of Real Estate and Urban Land Economics
School of Business Admin.
University of California, Los Angeles

Michael L. Haider
Chairman, Standard Oil Co. of N.J.

Samuel W. Hawley
President, People's Savings Bank
Bridgeport, Conn.

* Walter Holmes
President, C.I.T.
650 Madison Avenue
N.Y.C.

J. Erik Jonsson
Chairman, Texas Instruments
13500 N. Central Expressway
P.O. Box 5474
Dallas, Texas

Mayor of Dallas

Bernard Lasker
Chairman, New York Stock Exchange

No

Frank Lausche
former Senator

No

Homer J. Livingston
Former Chairman, First Natl. Bank of Chicago

Irwin Miller
Cummins Engine Co.

* William H. Morton
President, American Express Co.

4.

Albert L. Nickerson
Chairman, Federal Reserve Bank of New York

James F. Oates, Jr.
Retired from Equitable Life Assurance Society

K. A. Randall
Former Chairman, F.D.I.C.

Ralph Saul
President, American Stock Exchange

X Robert H. Stewart, III
Chairman, First National Bank in Dallas

Louis R. Vincenti
President, Mutual Savings and Loan Association
Pasadena, California

Henry A. Wallich
Professor of Economics, Yale University

Marvin L. Warner
Marvin Warner Co.
914 Main Street
Cincinnati, Ohio

Dr. Arthur Weimer
Special Assistant to the President
Indiana University, Bloomington, Indiana

Charles A. Wellman
Equitable Savings and Loan
6569 Van Nuys Boulevard
Van Nuys, California

Roger C. Wilkins
President, Travelers Insurance Co.
Hartford, Conn.

HUNT, Reed Oliver, mfg. exec.; b. Wollochet Bay, Wash., Oct 12, 1904; s. Arda Roy and Edna Elisabeth (Oliver) H.; student Smith Scho. Nav., Seattle, 1923-24, Harvard, Advanced Management Program, 1951; m. Sarah Elisabeth Trombley, Mar. 23, 1926; children--Red Oliver, Patricia (Mrs. Jack Gordon Nevin). Deck hand, purser Puget Sound Vessels, 1916-22; mate, master Puget Sound and deep sea vessels various cos., 1922-27; clk., accountant, asst. office mgr. Crown Zellerbach Corp. Pulp & Paper Mills, 1927-35, office mgr., 1935-43, asst. to v.p. in charge mfg., hdqrs. Crown Zellerbach Corp., San Francisco, 1943-46, asst. gen. mgr. mfg., 1946-51, v.p., mfg., 1952-54, v.p. operations, 1954-56, dir., executive vice president, 1956-____, pres., chief exec. officer, 1959-63, chmn. board, chief executive officer, 1963-____; pres., dir. St. Francisville (La.) Paper Co., Crown Simpson Pulp Co., San Francisco; director of San Fernando Labs., San Francisco, Pacific Nat. Bank, Seattle, Zellerbach Paper Co., Canadian Imperial Bk. of Commerce, Toronto, Crocker Citizens Internat. Corp., Union Oil Co., General Reinsurance Corp., Crocker Citizens Nat. Bank, Woodland Savs. & Loan Assn., Pacific Gas & Electric Co., San Francisco. Vice pres., dir. Crown Zellerbach Found.; regent U. San Francisco; bd. trustees Pacific U., Cal. Inst. Tech. Mem. C. of C. Republican. Episcopalian. Clubs: Stock Exchange, Commonwealth, Pacific Union (San Francisco); Arlington (Portland, Ore.); Marin Yacht (San Rafael, Cal.); Ranier (Seattle); Fifth Avenue (N.Y.C.). Home: 2518 Pacific Av., San Francisco 94115. Office: 1 Bush St., San Francisco.

-- WHO'S WHO IN AMERICA, 1968-1969

WILSON, Owen Meredith, educator; born Colonia Juarez, Chihuahua, Mex., Sept. 21, 1909; s. Guy Carlton and Melissa (Stevens) W.; A.B., Brigham Young U., 1934; student U. of London, 1936-37; Ph.D., U. of Calif., 1943; m. Marian Wilson, Aug. 31, 1938; children--Owen Meredith, Constance (Mrs. David J. Bennion), Mary Anne (Mrs. John A. Hansen), John, David, Margaret. Asst. prof. history and asso. dean of the college, U. of Chicago, 1946, asso. prof. of history, 1947; prof. of history and dean of School of Arts and Sciences, Univ. of Utah, 1947-48, dean Univ. Coll., U. Utah, 1948-52; sec.-treas. The Fund Advancement Edn. (Ford Found.), 1952-54; pres. U. Ore., 1954-60, U. Minn., 1960-67; press (sic)., dir. Center Advanced Study of Behavioral Sciences; 1967-____. Member board of directors of Northwestern Nat. Bank (Mpls.). Chmn, commn. rights, liberties, responsibilities of American Indian, Fund for Republic, 1956-63; nat. council Found. of Faith and Freedom; def. adv. com. on edn. in armed forces Dept. Def.; chmn. bd. N. Star Research and Devel. Inst.; mem. (hon.) Nat. Council Boy Scouts Am.; mem. Bus. Ethics Adv. council U.S. Dept. Commerce, 1961; member panel ednl. research and devel. President's Sci. Adv. Com., U.S. Office Edu. and NSF; mem. U.S. Nat. Commn. UNESCO, Former trustee of Center for Advanced Study Behavioral Scis.; chmn. bd. trustees Inst. Internat. Edn.; chmn. Nat. Adv. Council Edn. Disadvantaged Children, 1965.____; mem. Pres.'s Adv. Com. Labor-Mgmt. Policy, 1966-____; trustee Carnegie Found. Advancement Teaching (exec. committee; chairman 1965), National Opinion Research Center, University Chicago Mem. Am Council Edn. (past chmn.; exec. com. 1960-61, chmn. commn. plans and objectives in higher edn. 1962-65), State Univs. Assn. (past pres.), Natl. Assn. State Univs., Am. Acad. Polit. and Social Sci., Nat. Commn. Accrediting (exec. com. 1956-59), Assn. Am. Univs. N.E.A. (ednl. policies commn.), Am. Hist. Soc., Phi Beta Kappa. Clubs: Rotary, Cosmos. Home: 456 Marlowe Av., Palo Alto, Cal.

-- WHO'S WHO IN AMERICA, 1968-1969

MURPHY, Franklin David, physician, educator; b. Kansas City, Mo., Jan. 29, 1916; s. Franklin E. and Cordelia (Brown) M.; A.B., U. of Kan., 1936; M.D., U. of Pa., 1941; m. Judith Joyce Harris, Dec. 28, 1940; children--Judith (Mrs. Walter Dickey), Martha, Carolyn, Franklin. Intern, Hosp. of U. of Pa., 1941-42, instr., 1942-44; instr. in medicine U. of Kansas, 1946-48, became dean of School of Medicine and asso. professor of medicine, 1948, chancellor, 1951-60; chancellor Univ. of Cal. at Los Angeles, Cal., 1960-____. Member of board of dirs. Ford Motor Company, McCall Corp., Times-Mirror Co., Hallmark Cards, Inc. Mem. Pres.'s Gen. Adv. Com. Fgn. Assistance Programs. Mem. Carnegie Found. Advancement of Teaching, Kress Found. Mem. bdu of consultants National War College. Captain A.U.S., 1944-46. Member national council Boy Scouts Am. Diplomate Am. Bd. Internal Medicine. Fellow Am. Coll. Physicians; mem. Phi Beta Kappa, Sigma Xi, Alpha Omega Alpha, Beta Theta Pi, Nu Sigma Nu; Episcopalian. Named one of ten outstanding young men of U.S. in 1949 by U.S. Jr. Chamber of Commerce. Recipient of the Army Commendation Ribbon, 1946. Home: 10570 Sunset Blvd., Los Angeles, 90024.

-- WHO'S WHO IN AMERICA, 1968-1969

THE WHITE HOUSE
WASHINGTON

February 17, 1970

*RN release
Adm. delivery in
approp. leg. at
earliest prac.
time*

MEMORANDUM FOR PETER FLANIGAN

FROM: Tom Cole *TC*

SUBJECT: One bank holding company legislation; Charls Walker's draft Presidential response to the Sparkman/Bennett letter.

At your request, I talked this date with Charls Walker on the above referred to subject.

Walker advised that he made a commitment to Senators Sparkman and Bennett for a letter from the President; and that he, Walker, would be put in a bad light if such commitment were not fulfilled.

Walker reminded me that he met with us in your office a short time ago, and at that time discussed the then proposed Sparkman/Bennett letter to the President, and his (Walker's) proposed response thereto by the President. Although as I recall you were in general concurrence with the approach and drafts of the letters as outlined by Walker, I do not believe that concurrence should be binding upon us.

Walker says that Senators Sparkman and Bennett have agreed to take most of the heat on this matter, i.e., delay of Committee hearings on one bank holding company legislation, pending the Commission study as referred to in the President's Economic Message; but the proposed letter from the President, which Walker says is

noncommittal in nature, is desired by Sparkman and Bennett. I would point out, however, that Senators Sparkman and Bennett are already strongly opposed to the House-passed version of the one bank holding company bill, and as a result are already most desirous of delaying such Committee hearings; a letter from the President will not, I believe, alter those two Senators' position on that bill nor their corresponding efforts to delay hearings.

After giving additional consideration to this matter, I believe that any letter from the President in relation to the Commission or one bank holding company legislation could be viewed as giving support to efforts to delay passage of such legislation. Although we definitely do not want the House-passed version of the bill, we do want to avoid making it appear the President is responsible for said delay.

Therefore, I concur with Bill Timmons in part, i.e., that a Presidential response to the Sparkman/Bennett letter is unnecessary. I do feel, in light of Walker's commitment, however, that written contact, in addition to Timmons' letter, should be made with Senators Sparkman and Bennett, and therefore suggest that Secretary Kennedy respond to the Sparkman/Bennett letter. Secretary Kennedy can say, "I assure you of the President's interest and concern; he has asked that I respond in some detail to your letter," and so forth.

To get Walker off the hook, he could advise Senators Sparkman and Bennett that this entire matter was further reviewed at the

White House and a decision reached that it would be more appropriate for Secretary Kennedy, and not the President, to respond to the Sparkman/Bennett letter. If Walker feels it would help him in his relations with Sparkman and Bennett, we could so advise Senators Sparkman and Bennett. (I know both Senators and their top staff people.)

Please advise.

The White House
Washington

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THE PRESIDENT

THE WHITE HOUSE

REQUEST WHITE HOUSE CONFERENCE WEDNESDAY FOR OUR TOP OFFICIALS
TO DISCUSS NUMEROUS PUBLISHED REPORTS THAT YOU ARE ABOUT TO
NAME FINANCIAL INSTITUTIONS STUDY COMMISSION AND THAT THIS
WILL BE USED IN THE SENATE AS THE BASIS FOR DELAY IN CONSIDERING
ONE-BANK HOLDING COMPANY LEGISLATION. THIS LEGISLATION FOR
MORE THAN A YEAR HAS BEEN PRIORITY LEGISLATIVE OBJECTIVE OF

YOUR ADMINISTRATION. IN GOOD FAITH OUR ASSOCIATION HAS SUPPORTED
YOUR LEGISLATIVE ENDEAVORS IN THIS AREA. WE ARE CONCERNED THAT
OPPONENTS TO YOUR OBJECTIVES, WHOSE STATED GOALS ARE TO DELAY
AND OPPOSE LEGISLATION FOR REGULATION AND CONTROL OF THE
ONE-BANK HOLDING COMPANY THREAT TO THE ECONOMY, HAVE SOMEHOW
PREVAILED. CLIPPINGS THAT DOCUMENT INDUSTRY AND TRADE REPORTS
3 HAVE BEEN SENT TO DR. BURNS WITH COMPANION COPY THIS MESSAGE.
REQUEST THAT OTHER OFFICERS OUR ASSOCIATION TO BE CLEARED FOR
CONFERENCE INCLUDE: ROD PARSCH, FIRST VICE PRESIDENT, IBAA,
2 AND PRESIDENT, LAPEER COUNTY BANK & TRUST COMPANY, LAPEER,

↑

MICHIGAN; DONALD M. CARLSON, SECOND VICE PRESIDENT AND PRESIDENT,
ELMHURST NATIONAL BANK, ELMHURST, ILLINOIS; HOWARD BELL, EXECUTIVE
DIRECTOR IBAA AND C. HERSCHEL SCHOOLEY, WASHINGTON MANAGER,
IBAA

B MEYER HARRIS PRESIDENT INDEPENDENT BANKERS ASSOCIATION
OF AMERICA AND PRESIDENT THE YELLOWSTONE BANK LAUREL MONTANA.

PRESIDENT
B. Meyer Harris, President
The Yellowstone Bank
Laurel, Montana 59044

FIRST VICE PRESIDENT
Rod L. Parsch, President
Lapeer County Bank & Trust Company
Lapeer, Michigan 48446

SECOND VICE PRESIDENT
Donald M. Carlson, President
Elmhurst National Bank
Elmhurst, Illinois 60126

TREASURER
Marshall Barnes, President
Beaver Dam Deposit Bank
Beaver Dam, Kentucky 42320



WASHINGTON
OFFICE

EXECUTIVE DIRECTOR: HOWARD BELL • SECRETARY: GENE MOORE

C. HERSCHEL SCHOOLEY, MANAGER — PHONE: 393-5617 AREA CODE: 202
SUITE 530, BOWEN BUILDING, 815 - 15th ST., N. W., WASHINGTON, D.C. 20005

January 26, 1970

Mr. Tom Cole
Special Assistant to the President
The White House
Washington, D. C. 20500

Dear Tom:

Enclosed for your information and thoughtful consideration are four articles, from the Washington Financial Reports, the Wall Street Journal and the American Banker, which discuss publicly that the Nixon Administration is seriously considering appointment of a banking study commission, that is calculated to delay further consideration of the one-bank holding company legislation in the current Congress.

The sources of the published reports are not clear, but the circumstances are horrifying to Independent Bankers, who have accepted, in good faith, the Administration's insistence for an entire year that regulation and control of one-bank holding companies is a high priority "must" in its legislative program.

Our footwork is not sufficiently adept to permit us to accept this view one day, and negate or renounce it the next.

In all of this, I do not need to remind you that Dr. Burns testified to the need for this legislation at his recent Senate confirmation hearing, and a reversal of his feelings overnight on this important matter seems incredible.

On the heels of the President's statement of last March 24, House testimony by Secretary Kennedy, Fed Governors Martin and Robertson, and the great bulk of other testimony and comment on the need for the regulation and control of this threat to the economy, any change in Administration policy and position at this late date must mean that major campaign contributors and supporters among the big city bankers who

Mr. Tom Cole

- 2 -

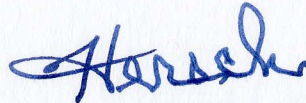
January 26, 1970

want this delay, have applied successful muscle at the White House. No other rationale can hold water, and these circumstances will open up uncounted facets that will damage the Administration politically, and the economy in a real and genuine way.

We have addressed a telegram to the President today, requesting a White House conference Wednesday for several of our top officers, to discuss this matter. Have likewise specialed to Dr. Burns a companion copy of the message to the President, together with the appropriate clippings, following telephone talk with Mrs. Mallardi.

Best regards.

Sincerely,

A handwritten signature in blue ink, appearing to read "Herschel", with a stylized, cursive script.

C. Herschel Schooley

Encl.

American Banker

The Only Daily Banking Newspaper

MONDAY, JANUARY 26, 1970

135th YEAR

70 Cents

Financial Community in Seattle May Reap The Blame if City Loses Baseball Team

By JAMES S. BYRNE

SEATTLE. — The Seattle financial community will be asked to do a lot of explaining if American League owners at their meeting in Oakland Tuesday decide to write the obituary for major league baseball in Washington's largest city.

Unfortunately for those Seattle bankers who have not seen fit to extend loans to the prospective buyers, the explanation that they could not justify such loans of their depositors' money in this time of tight money on terms they did not feel were businesslike, may not carry much weight with the community.

This is especially painful to the banks, as they feel they have more than done their part in supporting

community programs, including the effort to keep the team in town.

There is no question the failure thus far to raise the approximately \$12.5 million to buy the team from Pacific Northwest Sports, Inc., and meet league requirements for cash to operate the team, will reflect directly on the business community, particularly the banks.

The situation was stated simply by William R. Daley of Cleveland, chairman of the Reading Co., which operates the Reading railroad, and a man who entered the Seattle baseball picture when the franchise was first awarded for the 1969 season.

"The league has given the city every
(Continued on page 24)

Sparkman Would Stall 1-BHC Bill If Nixon Asks Study

By JOSEPH D. HUTNYAN

WASHINGTON. — Sen. John J. Sparkman, D., Ala., chairman of the Senate Banking and Currency Committee, said Friday he would be willing to delay committee action on one-bank holding company legislation if the Administration requested more time for further study of the issue.

Mr. Sparkman, in an interview, did not state specifically how long he would be willing to postpone action on a regulatory bill.

"I'd be willing to give them a reasonable time to get their recommendations in," he said. Asked what he considered a reasonable time Mr. Sparkman replied that he could not say until he received the administration's recommendation.

The House last year approved a "hard-line" bill to regulate one-bank holding companies. The companies would like to kill the legislation in the Senate.

Mr. Sparkman's statement was hopeful news for the companies, which would like to see the Senate put off consideration of the bill until the next session of Congress.

This automatically would cancel the tough House bill, since the next Congress would begin with a clean legislative slate.

Mr. Sparkman's statement Friday came amid reports that President Nixon was considering a request to ask for a one-year delay on bank holding company legislation, pending a study by a special Presidential commission of all aspects of the banking system.

The bank holding company industry may learn within the next few days whether the President will in fact make this recommendation.

Mr. Nixon will be sending Congress
(Continued on page 24)

Fed Paper Proposal May Fragment Banking

By BEN WEBERMAN

NEW YORK.—The Federal Reserve Board proposal to establish a 10% marginal reserve requirement on commercial paper issued by a bank's affiliate may bring about fragmentation of banking unless some major changes are made in the rules before implementation.

Close inspection of the changes suggested for Regulation D—Reserves of Member Banks—shows that while funds raised through sale of paper which flow back to help a bank carry assets would be subject to the reserve requirement. Funds raised by a bank affiliate for its own operations would be free from the 10% reserve.

Thus, bank holding companies may well make a strong effort to make mortgage loans, leasing contracts and other credit advances directly to the user through an affiliate without using the bank at all—if the rules stand as proposed.

As now planned, the Board is using its new legislative authority "to set up a reserve requirement on funds obtained by member banks through the issuance of commercial paper or similar obligations by bank affiliates, including a member bank's parent company, other a one-bank holding company or a company

(Continued on page 10)

New Bank Taxes May Be California Issue

By STANLEY STRACHAN

NEW YORK.—Three of the six state legislatures which make up the Far West, Alaska and Hawaii are meeting in 1970 but little in the way of significant banking legislation is expected in any of them.

California may look at some new taxes on banks and an attempt to liberalize

lending powers of the state's savings and loan associations will be made.

Alaska and Hawaii report no measures of interest to bankers on the agenda.

This is the ninth and final report in the American Banker's annual roundup of state legislation affecting banks.

ALASKA: Little banking legislation is expected at the 1970 Alaska Legislature. Under 1969 legislation, the aggregate amount of outstanding liabilities of a state bank for money borrowed cannot exceed 100% of capital and 50% of surplus.

This limit does not include capital

Year-End Reports At Top Banks



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the team in Seattle. He called several friends who indicated they would help him try to raise financing.

Mr. Danz and his attorney traveled to the Chicago meeting of baseball owners on Oct. 20 to talk with officials and make known he was interested in buying the team. The first formal meeting with the Sorianos was Oct. 27, but they could come to no agreement. Mr. Danz traveled to Cleveland see Mr. Daley Oct. 31 and a few days later he flew back with a deal. The American League approved the sale at a Miami meeting Dec. 1.

Crucial to this timetable is when Mr. Danz was first told of the need to pay off the \$3.5 million loan to Pacific Northwest Sports from Bank of California. The issue of the loan has generated great animosity between Messrs. Danz and Campbell and the news media reported it as the main problem in raising the financing.

The timetable of Bank of California, the Sorianos and Mr. Daley supports the fact that Mr. Danz personally was informed as early as Oct. 27 that Bank of California wanted its loan paid off if there were a change in ownership. Mr. Danz strongly denies that there ever was a specific statement to him that before the team could be sold, Bank of California wanted its money back in cash and did not want to refinance the entire loan.

Mr. Danz insists that the first time he was aware of any major problem about the loan was when he received an audited financial statement on about Dec. 2 or 3 that showed the loan to be delinquent.

He said he knew that the loan would have to be refinanced but that it was not until he got notice from Bank of California on Dec. 12 that he understood that the bank wanted the loan paid off fully in cash.

However, as early as Nov. 21, a meeting of all six banks in the Clearing House Association of Seattle was held to discuss the refinancing of the loan. At a Nov. 24 meeting, all six generally agreed to go back to their boards with the proposal to share the refinancing of the \$3.5 million loan.

Bank of California, according to Mr. Campbell, offered to carry \$750,000 of the loan, two-and-one-half times its share if the loan were divided by relative deposit size.

Mr. Campbell insists that the banks said they would consider sharing the loan only if the Danz group met its conditions. Specifically, the Danz group was to come up with collateral in addition to the value of the franchise and the players' contracts.

On Nov. 26, the banks were informed that the \$1.1 billion-deposit National Bank of Commerce had declined to go along under any conditions. Also refusing were the \$392 million-deposit Peoples National Bank and the \$207 million-deposit Pacific National Bank.

Joining Bank of California were the city's largest bank, the \$1.7 billion-deposit Seattle-First National Bank and the \$133 million-deposit Seattle Trust & Savings Bank.

Mr. Daley said he thinks the \$3.5 million loan question was a convenient and understandable excuse for the Danz group to use when they had trouble coming up with equity financing. Mr. Danz agrees that the drive to raise equity financing slowed substantially after Dec. 12 when the problem with the loan became widely known.

Prominent and respected businessmen on both sides of the issue have been reluctant to call the difference anything but a misunderstanding over what was expected from the



Stock with Sock

Willie Mays, star San Francisco Giants center fielder, gets some help in brandishing oversized Adirondack bat with Rowan Industries stock certificate attached — from William S. Renchard, right, chairman of Chemical Bank, New York, and John Ellis, chairman of Rowan, of which Adirondack is a division. Ceremonies took place at bank's 20 Pine St. headquarters; Willie received 600 shares in Rowan in recognition of his 600th home run, hit during the 1969 season.

bank wants paid off, is part of the total as is \$3 million the Sorianos want in cash. Another \$1.5 million to \$2 million is required by the American League to be on hand for operating expenses.

In addition, another \$150,000 is owed the Pacific Coast League as payment for the \$300,000 indemnity awarded it by major league baseball when its Seattle franchise was lost to it by major league expansion.

All in all, Mr. Danz needs about \$8 million before he can get the franchise and he had hoped to raise 50% of it through equity financing and 50% of it through loans. He says he is not at that point yet and the banks have not said they would come in with loan financing even if he does.

Mr. Danz has said he will present a new financing plan to American League owners Tuesday.

The National Bank of Commerce, whose role in the situation was not reported in the Seattle media, has remained silent on its reasons for not participating in the financing.

However, it was learned from persons engaged in the negotiations that it simply did not agree that the loss of the team was important enough to Seattle to justify what clearly would be a risky financial investment.

More specifically, the bank, along with Bank of California, at least, among those banks, indicating a willingness to make a loan, did not think the idea of Mr. Danz that the franchise was enough security for the loan.

In the first place, there is no guarantee that the worth of major league baseball franchises would continue to rise dramatically—the Sorianos and Mr. Daley paid a reported \$5.35 million to get the franchise and set it in operation. Moreover, liquidation of a loan is an unhappy process as indicated by the problems of Bank of California in collecting its \$3.5 million.

Whether the loss of the team and the stadium would cause the defeat of the \$600 million in Forward Thrust bond issues is the nub of the disagreement.

Another factor in the battle is the threat of court action. Mayor Wes Uhlman has ordered his corporation counsel to prepare litigation which could be waged against Pacific Northwest Sports for breaking a three-year contract on Sicks' Stadium which was to run through the 1971 season.

The city, he said, may also file a suit against the American League or major league baseball in general on the antitrust issue. The city has spent about \$3 million on Sicks' Stadium and does not want to lose the planned \$40 million domed stadium.

Mayor Uhlman, who agreed that the original financing plans of the Danz group were inadequate, has said he believes this is no longer the case.

He has expressed doubts about

Sparkman

(Continued from page 1)

two major messages in the coming weeks one outlining his budget requests, and the other charting Administration economic policy.

As to bank holding company bills, Mr. Sparkman stressed that he would not be a part of any campaign to kill legislation by pigeon-holding it.

"I would not want to use a postponement either for stalling or defeating legislation." Basically, I believe we ought to have a bill." Pressed as to whether that meant during the current session, Mr. Sparkman declined to say.

He emphasized in the interview that he was stating only his personal opinion on the issue. He said that in the last analysis the Senate Banking and Currency Committee would decide this year's timetable for processing bank holding company bills.

Despite this, the feeling among banking leaders and on Capitol Hill is that Mr. Sparkman's position will be crucial in determining whether there would be a bank holding company bill this year.

Reports that the Senator is receptive to postponing action on the bill unleashed an acceleration of lobbying activity by special interest groups that are urging passage of a strong one-bank holding company bill this session.

Since the White House appears to be the key, a good deal of the lobbying pressure is being directed there. Such groups as insurance agents, accountants, and travel agents have been smoking up the telephone wires urging the President not to recommend a postponement of action on one-bank holding company legislation this year.

These same lobbies that are trying to keep the banks out of their business also have been zeroing in on members of the Senate Banking and Currency Committee.

Sen. William Proxmire, D., Wis., who is the second-ranking Democrat on the committee, also has opposed a delay, in letters to Treasury Under Secretary Charles E. Walker and Arthur F. Burns, chairman-designate of the Federal Reserve Board.

Mr. Proxmire favors a study of the banking industry but maintains that the one-bank holding companies should be placed under strict government supervision while the study is in progress.

In his letters, which were not made public, Mr. Proxmire argued that the President would be inconsistent if he recommended postponing a vote this year on a one-bank holding company bill.

He pointed out that less than a year ago the President sent a letter to Congress urging prompt enactment of a bank-holding company law to avoid a dangerous link between banking and non-banking interests in the nation's economy.

The effect will be to limit bidders to that volume of mortgage activity for which builders and sellers with whom they do business have already received insurance commitments or certificates of reasonable value.

With this change, Ross said, "we expect the volume of bids and the prices to be realistic and to reflect current market levels."

In earlier weeks, he complained, the volume of bids was "so high in relation to our sustainable level of purchases that prices were driven downward at far too rapid a rate." Moreover, he said, "we firmly believe that this temporary disruption of the market and the revised rules are necessary to give the mortgage market an opportunity to realistically reappraise the future outlook—both from FNMA and from other sources of mortgage funds—and to settle down."

The bids received and returned from last week's auction totaled \$480.5 million against an announced acceptance level of \$150 million. In the most recent auctions held, offers were 4 1/2 to five times the funds available compared with a ratio of two times funds available on December 8 and 15.

In line with its action last week, Fannie Mae set the auction amount for the period ending today at \$300 million. It said it did this "to cover the volume which would otherwise have been accepted on January 19."

In addition, maximum bid amounts were increased by one-half for today's auction only "to compensate partially for the rejection of bids by small sellers who depend on a regular volume at each weekly auction," Fannie Mae said. The one-time limits are \$150,000 per seller for noncompetitive bids and \$2.25 million for competitive bids—up from the normal limits of \$100,000 and \$1.5 million.

* * *

NIXON APPROVES ONE-BANK BILL DELAY PLAN FOR INCLUSION IN FEBRUARY ECONOMIC MESSAGE

President Nixon has approved for inclusion in his Economic Message the creation of a Presidential study commission on financial institutions and a request to Congress to delay one-bank holding company legislation.

WFR has learned that drafts of the Economic Message being circulated within the Administration late last week contained the plan. Barring a last minute change, the President will outline this position in the Economic Message, scheduled for the first week in February.

In addition, Senate Banking Committee Chairman John Sparkman (D., Ala.) is agreeable to the Administration's plan to postpone consideration of one-bank holding company legislation until the findings of the Presidential study commission are available.

However, Sparkman has not closed the door to hearings later this year. Congressional sources indicate that if one-bank holding companies move to acquire non-bank subsidiaries while the study is underway, the committee would move to schedule hearings.

There will be pressure both from within and without of the committee to act on the House-passed one-bank bill (H. R. 6778) this year—especially if certain one-bank companies are not held in check.

For example, Sen. William Proxmire (D., Wis.) is opposed to the Administration plan to delay the one-bank bill. Proxmire voiced his opposition last week in letters to Treasury Undersecretary Charles E. Walker and Dr. Arthur F. Burns, counsellor to the President.

The plan hinges on an agreement by one-bank holding companies that they will not enter into any non-banking activities while the study is underway. WFR has learned that a number of steps are being taken to assure compliance with the agreement.

First—and probably most important—the Treasury is letting it be known that it would oppose a tax-free divestiture if a one-bank company made an acquisition of a non-bank nature and later is forced to divest the property under a Congressionally enacted one-bank bill.

Previous banking measures requiring divestitures were accompanied by other legislation allowing a tax-free spin off. Such legislation falls under the jurisdiction of the House Ways and Means Committee and the Senate Finance Committee. These committees would probably not permit a tax-free divestiture if there were strong feeling against it from the Administration and Congress.

Second, the three Federal banking agencies are expected to issue strong policy statements making it clear that one-bank companies should limit their acquisitions to the types that registered bank holding companies are now permitted. While the strict legality of such statements and their enforcement may be open to question, any one-bank company that violated the agreement would face a difficult future in dealing with the Federal agency that regulates its bank subsidiary.

Third, WFR has learned there will be an exchange of letters between President Nixon and Sparkman outlining the plan, making it clear that the Administration will support appropriate legislation when the study is completed and putting one-bank holding companies on notice that they are expected to stay within the informal agreement.

Finally, as mentioned before, there is the threat of legislation this year if some one-bank holding companies violate the agreement. And the prospects of getting legislation acceptable to the one-bank companies in the Senate would be greatly diminished in light of violations of the informal agreement not to acquire non-bank subsidiaries.

Sources point out that many one-bank holding company acquisitions are already regulated. About 90 percent of the bank-dominated one-bank companies have national banks as subsidiaries and are regulated by the Comptroller of the Currency. Most of these holding companies were organized via the "phantom" bank route. As a condition to approving the chartering of the "phantom" banks, the Comptroller sought and received agreements that all acquisitions must be approved by him.

If trouble develops, these sources predict it will come from the conglomerate-controlled one-bank companies.

The Presidential study commission will not narrow its study to the one-bank holding company issue alone. It will conduct a comprehensive study of all deposit-type financial institutions. And the commission may even go beyond the deposit-type institutions into, for example, the insurance industry.

The study is expected to look into the bank and savings and loan regulatory structure, the problems of the flow of credit to housing, Regulation Q interest rate ceilings, the portfolio powers of competing financing institution and other competitive factors.

Administration officials believe an in-depth, comprehensive inquiry of the financial regulatory system and the proper role for financial institutions in the economy is long overdue.

In his letters to Walker and Burns, Proxmire warned that delaying the one-bank bill this year would be "extremely unwise." He said he agrees there is a need for a study. But, he continued, "the need for legislation this year is urgent and should not be postponed."

The Wisconsin Democrat expressed doubt that an informal agreement to limit the acquisitions of one-bank companies would work.

"I do not see how a gentlemen's agreement of this type can be binding upon the more aggressive one-bank holding companies," Proxmire said. "In fact, the problems of ultimate divestment could be more serious the longer effective legislation is delayed."

Proxmire said he was not unmindful of the argument that the one-bank holding company issue should be taken out of politics in an election year. But he expressed the fear that a delay would make the entire matter a partisan issue.

"I believe the Administration would be much better served to recommend a positive and meaningful approach to the one-bank holding company problem," he said. "Should such an approach be developed by the Senate, I am confident that its essential provisions can be maintained in the House-Senate Conference Committee."

The fear of a conference on the bill this year is the single most important factor motivating pro-one-bank elements of the banking industry to push for a delay on the one-bank issue. If the House-passed bill is not enacted this year, the industry would have another chance in the House to push for a bill it considers more acceptable. This is because the House one-bank bill would die at the end of the 91st Congress and the entire legislation process on the issue would have to be resumed when the 92nd Congress convenes next January. Proxmire's letter appears in the TEXT section on Page T-9.

* * *

FED EXEMPTS CD HOLDINGS OF FOREIGN GOVERNMENTS FROM REGULATION Q CEILING

Foreign governments may receive interest rates on certificates of deposit in excess of the Regulation Q interest rate ceilings placed on other time and savings deposits, the Federal Reserve Board has ruled.

A higher rate may be paid, the Board said, by a member bank on a time deposit having a maturity of two years or less and representing deposits of a foreign national government or agency thereof, an international entity of which the U.S. is a member, or any other foreign, international or supranational entity designated by the Board.

All certificates of deposit issued by a member bank to such entities on which the contract interest rate exceeds the Regulation Q maximum rate must meet certain conditions.

The certificates must provide, in the event of transfer, the date of transfer attested to in writing. This date must appear on the certificate.

Also appearing on the face of the certificate must be the maximum rate limitations in effect at the date of issuance of the certificate. This rate would apply to the certificate for any period during which it is held by a person other than the exempt organizations.

The rule states that upon presentation of the certificate for payment, the bank may pay the holder the contract rate of interest on the deposit for the time that the certificate was actually owned by the exempt entity.

* * *

SPARKMAN CRITICIZES NIXON OVER 'RECESS' APPOINTMENT OF OAKLEY HUNTER TO SUCCEED LAPIN AS FNMA PRESIDENT

President Nixon's "recess" appointment of former Congressman Oakley Hunter to be president of the Federal National Mortgage Assn. and Fannie Mae's chief executive officer is under fire from Senate Banking Committee John Sparkman (D., Ala.).

PROXMIRE CRITICIZES PLAN FOR PAYING INCOME TAXES VIA BANK CREDIT CARDS

A newly disclosed plan to let taxpayers charge their Federal income tax payments to bank credit card accounts is under fire from Sen. William Proxmire (D., Wis.).

Proxmire has written the Internal Revenue Service claiming that taxpayers taking advantage of the plan would be paying 18 percent a year interest when the Federal government charges only six percent interest for late payment.

IRS, however, is maintaining that it is not "participating" in the plan, which banks in a number of states will implement this year through BankAmericard and Master Charge. IRS says it is compelled to accept for Federal income taxes any valid instrument of payment.

Under the plan, the taxpayer would merely fill out a draft already payable to IRS for the amount due the government and mail it with his return. He would be billed later through his credit card account. IRS, meantime, would process the draft just like a regular check.

Proxmire, chairman of the Senate Financial Institutions Subcommittee investigating credit card abuses, charged that the plan sounds like "a calculated attempt to enrich commercial banks at the expense of the taxpaying public."

He asked IRS if "your income tax forms tell the taxpayer he will only be charged six percent if he delays his payments to the government or that other credit alternatives are available at well below 18 percent a year interest."

* * *

PRESIDENT MAY URGE CONGRESS TO PUT ASIDE ONE-BANK BILL THIS YEAR PENDING OUTCOME OF BANKING STUDY

A Presidential recommendation that one-bank holding company legislation be put aside this year while a commission studies the banking industry is under serious consideration within the Nixon Administration.

The plan calls for President Nixon to outline the need for a Presidential commission on banking in his Economic Message to Congress late this month or early next.

At that time, the President would also urge the Congress to delay passage of a one-bank bill until results of the commission's inquiry are available.

No final decisions on this approach have been reached by Mr. Nixon. Administration officials are now checking out the political feasibility of such a course with Congressional leaders.

A key to the Administration plan, WFR has learned, is an agreement among the Federal and state banking agencies and the one-bank companies to halt further one-bank holding company acquisitions of a nonbank nature until Congress resolves the one-bank issue.

Under this concept, one-bank companies would be restricted in acquiring new subsidiaries to those businesses that registered bank holding companies now may acquire. The Bank Holding Company Act permits acquisitions of a "financial, fiduciary or insurance" nature that is "closely related" to the business of banking.

The Federal Reserve Board has permitted registered bank holding companies to enter such businesses as mortgage banking, equipment leasing factoring, credit life insurance and insurance agencies in some sections of the country.

The Comptroller of the Currency already controls acquisitions of one-bank holding companies dominated by national banks. In late 1968, Comptroller William B. Camp began requiring national banks applying for one-bank holding companies to agree in advance that no acquisition by the holding company or any subsidiary could be made without his approval. This policy was designed to limit acquisitions to financially-related businesses.

The Federal Deposit Insurance Corp. and the Federal Reserve Board would rely on moral suasion to keep future one-bank company acquisitions in the financially-related area. Some sources believe the FDIC may have the power to control one-bank holding company acquisitions by attempting to halt an acquisition that it believed would jeopardize the soundness of the bank.

Unless one-bank companies agree to restrict future acquisitions to financially-related businesses, the Administration plan could die. There is strong sentiment in Congress that one-bank holding companies must be brought under Federal regulation this year. Unless the Congress can be convinced that one-bank firms will limit themselves to financially-related businesses, there will be increasing pressure to pass legislation this year—despite the fact that a commission is studying the situation.

However, putting off consideration of the House-passed bill, combined with a study and a guarantee that one-bank firms will be kept in check, has advantages for the banking industry, the Administration and individual Congressmen.

The obvious advantage for the banking is that the House-passed measure, which most industry spokesmen consider far too severe, will be eliminated by a year delay. With adjournment of the 91st Congress, all bills not enacted in that Congress must make a new start through the Congressional mill.

In addition, when Congress considers the one-bank holding company question again, it will have the findings of the Presidential commission in hand. The banking industry believes the findings of such a study would result in more reasoned consideration of the one-bank issue. And, the image of banking will be improved by 1971, sources hope.

Industry sources point out if Congress enacted one-bank legislation this year, banking would come out on the short end. Even if the Senate passes legislation along the lines of the measure sponsored by Sen. William Proxmire (D., Wis.), substantial concessions would have to be made by Senate members of a conference committee.

For the Administration and Congress, delay on one-bank legislation takes it out of the political arena in an election year. It would be difficult to keep the legislation from becoming a partisan issue in 1970.

* * *

CERTAIN MORTGAGE BANKING NOTES CONSTITUTE 'ELIGIBLE PAPER,' FEDERAL RESERVE RULES

Notes issued by mortgage banking firms to finance the acquisition and temporary holding of real estate mortgages constitute "eligible paper" for borrowing at Federal Reserve Banks, the Federal Reserve Board has ruled.

The Fed, which announced the ruling last week, concluded that the notes are not "investment securities" under the Federal Reserve Act and do not represent a permanent investment by a mortgage banking firm.

"Accordingly," the Fed said, "the Board held that notes having not more than 90 days to run which are issued to finance the temporary holding of mortgage loans are eligible for discount by Reserve Banks."

The statutory criteria specifically prohibits paper issued to carry investment securities from being considered eligible paper. But "in providing for the discount of commercial paper by Reserve Banks," the Fed said, "Congress obviously intended to facilitate the current financing of agriculture, industry and commerce as opposed to long-term investment."

Trading in stocks and bonds is "investment-oriented" and does not usually affect the production or distribution of goods and services directly, the Fed said. "Mortgage banking, on the other hand, is essential to the construction industry and thus more closely related to industry and commerce."

In establishing the statutory criteria, the Fed also pointed out, Congress did not distinguish between newly issued and outstanding securities—"perhaps covering the larger area in order to make certain that the area of principal concern (i. e., trading in outstanding stocks and bonds) was fully included." Congress, the Fed added, also was concerned about speculation, which is not "a material element" in mortgage banking operations.

SUNDAY, JANUARY 25, 1970

Because our expanding and dynamic economy must have strong and innovative financial institutions if our national savings are to be utilized effectively, I shall appoint a commission to study our financial structure and make recommendations to me for needed changes.

In 1970, we are feeling the postponed pinch of the late sixties. If responsible policies had been followed then, the problems of 1970 would be much easier. But we cannot undo the errors of the past. We have no choice now but to correct them, and to avoid repeating them.

STRENGTHENING THE WORLD ECONOMY

The achievement of greater balance and stability in our own economy is also important for international finance and trade. The dollar is not only our currency; it provides the principal vehicle for world trade and payments. We are the world's largest exporter and importer, and instability in the United States—whether it involves inflation or recession—has unsettling effects on the world economy. Inflationary pressures arising in the United States have added to inflationary problems in other countries in recent years. The long inflation has also weakened our trading position. However, with the restraining of excessive demand in 1969, the deterioration in our trade balance has been arrested.

I am particularly gratified to note improvements in the international monetary scene during the past year with the introduction of Special Drawing Rights and with the realignment of several important currencies. In cooperation with other countries, we are actively investigating other ways to make the international monetary system more stable and orderly, and to give more attention to international coordination and synchronization in the management of domestic economic policies.

Although a high and rising level of international trade can add to the prosperity of the United States and other countries, imports from time to time may cause domestic dislocations. Since the gains from international trade are enjoyed by the country as a whole, it is appropriate that the costs of trade-associated dislocations be spread more evenly. The trade bill presented to the Congress in November contains practical adjustment assistance and escape-clause provisions that would soften the impact of import competition in cases where it harms our own workingmen. It also includes the repeal of the American selling price method of tariff evaluation, a step which is important in reducing the nontariff barriers to U.S. exports.

Trade is vital to the progress of the less developed countries of the world. With other industrialized nations, the United States is exploring

federally sponsored agencies has been able to prevent an even larger decline in mortgage financing and housing starts.

Direct regulation of interest rate ceilings on deposits, together with portfolio restrictions, has contributed to these problems, because it has encouraged some developments and delayed others in such a way that an important part of the financial system is now ill-adapted to a world of changing interest rates. These ceilings have not provided a satisfactory answer to the financial needs of housing, while they have prevented the free and efficient movement of funds through financial markets. Mortgage financing and the role of interest ceilings need reexamination. Savings and loan associations need greater flexibility to adapt to market developments, and new sources of funds for the mortgage market need to be devised. Given the consequences of four decades of deposit-rate ceilings, they cannot be suddenly removed without serious financial disruptions. Some basic reforms in financial regulations are, however, needed.

Presidential Commission on Financial Structure and Regulation

Our expanding and increasingly complex economy must have financial institutions reflecting the vitality that comes from vigorous innovation and competition. Financial services required by tomorrow's economy will differ in as yet undefinable ways from those appropriate today. The demands on our flow of national savings, as indicated in Chapter 3, will be heavy in the years ahead, and our financial institutions and financial structure must have the flexibility that will permit a sensitive response to changing demands. Thus the time has come for a thorough examination of needed changes in our financial institutions and our regulatory structure. This study will be carried out by a commission to be appointed by the President early this year.

GOVERNMENT REGULATION OF AGRICULTURE

Agriculture is another important sector of the economy where regulation has been used in an attempt to make market performance more satisfactory.

Many of the problems of agriculture are the result of a steady increase in agricultural output per farmer, which has made farmers a continually dwindling minority, and of insufficient mobility, which has kept their average income below that of most other occupational groups. As early as 1870, the number of farmers had dropped below the number of persons in other occupations. This trend has continued, and the proportion of the population gainfully employed in agriculture at the present time is only 5 percent. This is the usual transition in an advancing economy. Fewer and fewer people are required to produce the food and fiber for the rest of the population; or, stated another way, as the real income of consumers rises, an increasing proportion of income becomes available for other things than the basic necessities of life. Currently, about 16 percent of consumer income is spent on food.

MEETING OF MESSRS. KENNEDY, MAYO, BURNS, MCCrackEN AND WALKER TO
DISCUSS ESTABLISHMENT OF PRESIDENTIAL COMMISSION ON FINANCIAL
STRUCTURE AND REGULATION -- January 23, 1970

I. Size and structure of the Commission

1. *Com. Bk.*
1. *Mut. Sv. Bk.*
1. *S. L.*
1. *Credit Unions*
1. Number of members? *N*
 2. Industry representation?
 3. Congressional representation? *No*
 4. Other full-time Federal or State employees, such as bank commissioners? *No - Kay Randell*

II. Financing of the Commission

1. Congressional appropriation?
2. Affected agencies? *FDIC - Fed - FHBB*
3. Other alternatives?

III. The Commission's Mandate

1. ~~Include or~~ exclude monetary policy?
2. Include ~~all or~~ just deposit-type financial institutions?
3. Reporting date or dates? Interim reports? *1 year - none*

IV. Relation to pending legislation on Hill

1. Administration's posture on one-bank holding company legislation *(attached)*

V. Where do we go from here?

1. A Troika *exercise, calling in* ~~plus Burns exercise until February 1; there-~~
~~after, other heads of affected agencies might be~~
brought in?
2. * T-2 plus *Walker* ~~Martin Anderson~~ to be staff planning group?
3. Informal but carefully planned brainstorming session with academic and industry financial economists?
4. Goal for announcing Commission membership and mandate?

March 1.

* *Stern*
Wiederbaum
Mann

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the discernible future needs of the nonfinancial sectors of the economy. That may not be a completely realizable hope, given the difficulties of perceiving just how those needs will evolve, but some progress certainly is possible.

Then too, the commission might find that it would be well to concentrate much of its effort on devising outlines for improved regulatory machinery with enlarged latitude for sanctioning, and perhaps even encouraging, market-structure changes where those are indicated by the facts as they develop in the years ahead. The commission might find itself largely limiting its specific recommendations to major alterations in the present highly fragmented regulatory machinery, which is basically oriented toward the separate monitoring of individual segments of the financial markets. This would be no small undertaking.

The prospective task is so large that there should be no illusion that it will be easy. Any commission report that is really worthwhile and innovative is inevitably going to encounter heavy attack—probably from many sources. Untidy and awkward as the present patchwork structure of financial institutions and their statutory and supervisory overlay may be, there are many who would not welcome appreciable changes. In part, this is due to instinctive resistance to something different. But there also appear to be many hardened positions, not always clearly stated, among regulators and among the regulated, both as

to appropriate boundary lines for financial institutions and as to the need for change in the existing regulatory structure. This is not just a matter of institutional or regional jealousies or of bureaucratic intransigency. There exist many deeply and sincerely held convictions. Getting people to give fresh consideration to the essential issues is going to require unusual skill in the marshalling and presentation of facts and great integrity in interpreting them.

Despite all these prospective difficulties, I feel strongly that an effort should be made, via the commission procedure, to develop a rational approach to the clarification and improvement of the structure of our financial institutions and the machinery which regulates them. A clear statement by a responsible, authoritative body as to what would be optimal would greatly improve chances for ending the essentially barren dialogue now in progress. At present, public policy is doing little more than just sputtering along, trying to deal with strains in the financial mechanism and new needs for financial services as they become manifest, but doing so without the benefit of adequate analysis of how the parts and pieces relate to one another.

Continuing that way would not be a wise course, and it certainly is not one which would maximize the contribution which all financial institutions can make to the nation's future economic well-being.

JOHN M. MEYER, JR.



SPECIAL EDITORIAL REPORT

A National Commission On Private Financial Institutions: Prospects and Problems

This article by John M. Meyer, Jr., scheduled to appear in the Winter 1970 issue of *The Bankers Magazine* as the *Issues and Interpretations* feature, has been released pre-publication because of its timeliness. It should interest both the banking community and the Congress, where legislation on the subject matter has been introduced.

Mr. Meyer is Chairman of the Board of J. P. Morgan & Co. Incorporated and of Morgan Guaranty Trust Company of New York.

During the past year, a number of proposals have been made for appointment by the President of a national commission to study the country's private financial institutions. Senator Proxmire broached the matter last February with a formal recommendation, set forth in S. 1052, that a commission on banking be created. Representative Reuss, making a similar recommendation, suggested that the inquiry ought to be directed not just to commercial banks but also to savings institutions and other major parts of the nation's interrelated financial mechanism. So broadened, the idea has been gaining considerable support outside Washington, including the endorsement of Mr. Frank Wille, New York State Superintendent of Banks. Most recently, Representative Reuss's proposal has been detailed in a bill (H.R. 14951) which he introduced on November 24, joined by five other members of the House Banking and Currency Committee.

My belief is that a Commission on Private Financial Institutions is needed, and that a momentum has developed which is leading us toward its establishment. In my judgment, very high costs would be involved in continuing indefinitely to live with the present jumbled structure of financial institutions and the complex network of federal and state agencies that supervise and regulate them. Existing arrangements are the product, not of orderly and rational development, but rather of a long, tortuous history of patchwork financial legislation. The social cost of ignoring all these problems is becoming increasingly obvious.

If, however, a commission is to produce something more than just another well-intentioned critique of present arrangements—fine for the library shelf but for little else—its mission must be defined with some precision. Experience shows, I think, that a clearly delineated franchise is crucial to ventures of this kind.

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What Role For Financial Institutions?

The need for a study of financial institutions has been freshly demonstrated by the content of the various recent debates over banking and one-bank holding companies. Those debates have served to illustrate the differences of opinion that exist as to how at least some financial institutions should evolve to meet the ever-changing needs of people and of the economy. There are some who worry about the consequences of any significant move by the commercial banking industry to extend its activities beyond traditional boundaries. Their concern seems to be that the heightened competition which banks would bring to areas where they have not previously been active would adversely affect those engaged in those areas. But that view exists alongside the conviction of others, also deeply felt, that an expanding role for financial institutions, including banks, would provide real benefits to the public at large and that without it those institutions may be unable in the years ahead to give the public the kind of financial services it will need and demand. Then too, within the banking community there are individuals and groups that are concerned about the attempts by other kinds of financial institution to extend their boundaries into areas heretofore largely or exclusively reserved to commercial banks. It appears to me that the gulf that separates groups and individuals — in analysis and judgment, and even in understanding — on matters of this kind has no chance of being narrowed unless there is a new effort at objective study and fact-finding.

While considerations relating to the competitive posture of private financial institutions are more than sufficient in themselves to warrant the commissioning of a down-to-earth study, there is at least one additional reason that to me is very persuasive. This is the fact that our financial system simply has not functioned very smoothly in the last several years. One illustration is the strains that have been experienced by some savings and mortgage-lending institutions during periods of severe monetary restraint. The need to mitigate those strains and their repercussions has been partly responsible, I think we can assume, for the monetary authorities' use of interest-rate ceilings as an instrument of restraint in 1966 and 1969, with all the unfortunate effects that device

has had both domestically and in foreign markets. Identifying and recommending better means of relieving the vulnerability of the mortgage-lending function to sudden and sharp changes in the availability of funds and in interest rates might well be an objective of the kind of study under discussion here.

Congressional Involvement Is Essential

It seems to me important that a formal re-examination of financial institutions have a high degree of Congressional involvement. It probably can best be conducted, however, outside the framework of regular Congressional procedures. In part, this is because day-to-day pressures on the legislative committees arising from current business are too intense to permit them the required time-consuming study and research. The effort, moreover, is not one that can be restricted solely to prospective federal legislation, since many areas of overlapping federal and state authority are involved.

Nevertheless, Congressional participation is essential, as Representative Reuss has emphasized. Perhaps the clearest message, indeed, to emerge from a history of such commissions is that their proposals — no matter how meritorious — are not likely to achieve results if the commission does not include key Congressional personnel. It seems to me that this was one of the main reasons why the 1961 *Report of the Commission on Money and Credit* was so unproductive of direct legislative results. Distinguished as was its roster of members, it boasted none at all from the Congress — and thus lacked an advocacy in that body that it otherwise might have enjoyed. By extreme contrast, the National Monetary Commission created by the Aldrich-Vreeland Act of 1908 — which is generally viewed as having developed the main outlines of the Federal Reserve System — had a built-in guarantee of Congressional attention. Its membership consisted of nine Senators and nine Congressmen.

While membership exclusively from the Congress seems of questionable appropriateness in an undertaking of the sort I am discussing, because of the major contributions of time and effort which people with specialized experience must make, it is certainly better to err in the direction of too generous a Congressional representation than to have none at all.

Size Of An Effective Commission

The ideal size for a commission lies somewhere between the avoidance of unwieldy numbers and the importance of obtaining a broad range of expertise and judgment. The Commission on Money and Credit (which listed 27 members as having served during all or part of the group's existence) may well have been too large to be of maximum effectiveness. Even the 18 members of the Aldrich Commission were probably too many, although in that instance the disadvantages of large size were lessened by the committee's actual operating procedures. A good deal of its work was done by just a few key members in informal sessions.

It ought to be possible to keep the size of the panel sensibly limited so long as the selection of non-Congressional members does not try to provide specific "representation" of each interested group. There should be no implication that individual appointees are on the commission to uphold the point of view of a constituency. In the case of members drawn from the financial community itself, for example, the goal should be to select individuals who are knowledgeable about financial matters in the broadest terms, and who are able to subordinate any representational instinct to the broader public interest. The commission will need industry experience and expertise, but even more it will need men with a capacity for vision beyond parochial and organizational prejudices.

Scope Of A Commission Study

The terms of reference of the commission require considerable thought and care. Generally speaking, commission endeavors have been most productive in the past when they have focused on limited and fairly well-defined objectives. The Aldrich Commission, for instance, concerned itself solely with drafting a plan for a central banking mechanism. By contrast, when commission undertakings have been very broad in scope, they typically have failed to have significant legislative impact.

A good many observers have argued that excessive diffusion was one of the critical problems of the Com-

mission on Money and Credit. The CMC study was actually much broader than even the "Money and Credit" of its title. It encompassed the whole field of "national economic goals" and ranged in its final chapter into a sort of management consultancy for government, especially the Presidency. In theory this was eminently sensible, for money and credit obviously do subserve broader economic ends. In practice, though, the CMC group left itself open to the charge of having spread itself too thin. That may have detracted from acceptance of its work, much of which was of very high quality indeed.

A commission of the kind being discussed here should resist the temptation to delve into everything that in any way touches on the workings of financial institutions. I believe, for example, that it should not engage in a full-fledged review of general monetary and fiscal policy. With the benefit of hindsight, it is certainly not difficult to perceive that a number of errors have been made in monetary and fiscal policy in recent years. But evaluating the policy record and trying to discern the lessons it holds for the future is in itself an enormous undertaking. A commission taking on such an assignment — and hoping to do it properly — really should do that and nothing else. Staying away from a critique of monetary policy and fiscal policy and an overhaul of the instruments of those policies thus seems an essential limitation.

Market Structure Should Be The Principal Area Of Inquiry

I would suggest that the panel concern itself almost exclusively with matters of market structure. Are the traditional boundary lines of activity and supervision among private financial institutions the most sensible that can be devised? If not, what would constitute an improvement? And what possibilities exist for moving toward something better? These are the kinds of simple but difficult question that would get the commission started. Ideally, of course, the nation would be best served if the panel could come up with a blueprint for broad financial organization attuned to

MARCH 24, 1969

Office of the White House Press Secretary

THE WHITE HOUSESTATEMENT BY THE PRESIDENT
ON BANK HOLD COMPANIES

The Secretary of the Treasury, with my approval, has today transmitted to the Congress proposed legislation on the further regulation of bank holding companies.

Legislation in this area is important because there has been a disturbing trend in the past year toward erosion of the traditional separation of powers between the suppliers of money -- the banks -- and the users of money -- commerce and industry.

Left unchecked, the trend toward the combining of banking and business could lead to the formation of a relatively small number of power centers dominating the American economy. This must not be permitted to happen; it would be bad for banking, bad for business, and bad for borrowers and consumers.

The strength of our economic system is rooted in diversity and free competition; the strength of our banking system depends largely on its independence. Banking must not dominate commerce or be dominated by it.

To protect competition and the separation of economic powers, I strongly endorse the extension of Federal regulation to one-bank holding companies and urge the Congress to take prompt and appropriate action.

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Revised: 2/18/69

SUMMARY OF THE BACKGROUND OF DEVELOPMENT OF THE ONE-BANK
HOLDING COMPANY PROBLEM AND A GENERAL OUTLINE OF THE
PRINCIPLE POINTS TO BE INCLUDED IN A LEGISLATIVE RESOLUTION
OF THIS PROBLEM

BACKGROUND

In 1956 the Congress enacted and President Eisenhower approved the Bank Holding Company Act of 1956, providing the first comprehensive Federal regulation of all corporations holding 25 percent or more of the stock of two or more commercial banks. The regulatory authority provided by that Act is vested in the Federal Reserve Board. The Act requires (1) that all holding companies holding 25 percent or more of the stock of two or more commercial banks must register with the Federal Reserve Board; (2) that all such registered companies divest themselves of control of all non-banking and non-bank-related corporations; and (3) that all registered companies file annual reports with and submit to examination by the Federal Reserve Board.

By definition the 1956 Act exempts from its coverage any company holding 25 percent or more of the stock of one commercial bank. In 1956 the Federal Reserve Board objected to this definitional exemption and in the 89th Congress (1965-66) the Board sought unsuccessfully to have this "loophole" closed.

Thus, at present, there is no Federal statutory proscription on non-banking holdings or acquisitions by one-bank holding company (OBHC's). By the same token there is no ban against the acquisition of one bank by a commercial or industrial company or by a conglomerate.

EMERGENCE OF THE PROBLEM

In 1955 there were 115 OBHC's controlling bank deposits of about \$12 billion. Ten years later the number of such companies had grown significantly to 550. But that this growth had occurred primarily in the form of small companies is reflected in the fact that the bank deposit figure had risen to a total of only \$15 billion.

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The fact that the average bank deposit figure for OBHC's as of 1965 was less than \$30 million supports the Congressional viewpoint in 1966 that the one-bank "loophole" in the Bank Holding Company Act had not given birth to any dangerous transformations in our economic structure.

However, the past 12 months have produced dramatic changes. Taking into consideration announcements of intention to create OHBC's, the figures at the end of 1968 showed growth to almost 800 companies controlling bank deposits in excess of \$100 billion.

Two principal forces are responsible for the sharp expansion of banking assets controlled by unregulated holding companies. Certainly the most influential force, to date, has been the move by many of the nation's major multi-billion dollar banks to create bank-dominated OBHC's. Among the many motivating factors are (1) a more efficient corporate structure for the application of modern management techniques; (2) a more flexible format for the offering of financially related services; and (3) a means for offering certain financial services through affiliates and thus avoiding legal challenge from competitors should those identical services be established departmentally within the bank. (In this last respect, it should be noted that commercial banks are currently being challenged on the sale of computer services, travel agency operations, action as insurance agents, and the sale of shares in a mutual fund.)

The other major force in the shift of bank assets to the control of unregulated holding companies has been "tender offer" acquisitions of banks by other corporations, including conglomerates. While the number of such acquisitions is not yet large, the trend is accelerating and the potential to effect significant change in our economic structure is great. In fact, this mixing of non-financial activities with financial activities was one of the principal concerns underlying the Bank Holding Company Act of 1956.

THE PROBLEM

While the vast majority of the new large bank-dominated OBHC's have expressed an intention to limit their activities to banking on financially related services (leasing, factoring, mortgage servicing, data processing, etc.), there is a clear and present danger that bank acquisitions by industrial conglomerates could force a change in these intentions. Should this occur, it

seems predictable that our economy could shift within the next 5 to 10 years from one in which economic power is rather widely dispersed into one dominated by 50 or so major power centers, each comprising a major industrial-financial complex.

Also disturbing is the more immediate destructive impact on banking which can result from an increase in "tender offers" for banks. Any significant increase in the number of such acquisitions has an ominous potential for causing bank management to give undue attention to price-earnings ratios with a concomitant shift into speculative, high-yielding loans and investments.

The protection of sound banking practice and the preservation of our basic economic structure would therefore seem to demand the immediate need for reasonable legal restraints on the formation and operation of one-bank holding companies.

FACTORS TO CONSIDER IN FORMULATION OF LEGISLATIVE POLICY

Small Conglomerate Companies

Many of the small OBHC's in existence in 1956, as well as many formed thereafter, are in fact conglomerate in nature. For example, a lumber yard, an insurance agency, and a bank may be operated within a small holding company structure. There is no evidence that these small conglomerates have caused any economic abuses. In fact there may be many smaller communities which would be deprived of progressive banking services were it not for the holding company device. New legislation should accommodate the existence and growth of these "traditional" OBHC's.

Large Conglomerate Companies

These companies pose the most serious economic threat, and appropriately their transformation to OBHC's should be prohibited. However, since the banks thus far acquired are not large (banking assets of less than \$5 billion), there would seem to be no clear need to require divestiture of the banking holdings provided the company does not continue to diversify.

Bank Dominated One-Bank Holding Companies

For many banks seeking to offer broadly-based, low-cost financial services to the public the holding company structure is unquestionably an efficient and flexible format which should continue to remain available. Thus legislation should retain this option to establish a financial congeneric under adequate Federal regulation while at the same time prohibiting the evolution into a bank- dominated conglomerate.

Multiple Bank Holding Companies

These are the companies currently subject to the 1956 Act. Obviously any changes in that Act making it applicable to OBHC's must be carried out in a manner assuring full parity of treatment as between these two general types of bank dominated holding companies. Accordingly, the existing registered companies should be granted the same flexibility as to their right to acquire, establish and operate affiliates to provide financially related services.

Other Banks

Nothing in the legislation should have the implied effect of restricting the ability of individual banks to offer financially related services similar to those which might be possible for a bank holding company. Our rapidly evolving economy with its application of new technology ideas and techniques, such as the electronic transfer of payments, demand that all banks be accorded such flexibility of action as may be accorded bank holding companies.

Partnerships

In recent years, partnerships have been established to acquire and operate banks; they are exempt from the provisions of the Bank Holding Company Act. The new legislation should cover partnerships, both to regulate their bank acquisitions and to bring their non-bank affiliations under Federal scrutiny, just as in the case of corporations.

Activities Now Prohibited to Banks Under Statute

Nothing in the legislation should be construed as permitting commercial banks, directly or through affiliates, to offer services now prohibited by law. The most important of these activities relate to the securities business. In particular, the new legislation would have no significance for the proscriptions now provided for in the Glass-Steagall Act, the Banking Acts of 1933 and 1935, or the various securities acts.

Applicability of Sherman and Clayton Acts to Congeneric Acquisitions

Enactment of the new legislation should in no way be implied as diluting the authority of the Justice Department in its anti-trust enforcement under the Sherman and Clayton Acts. It should be made clear that any action by a Federal banking agency in approving acquisition by a registered bank holding company shall in no sense be viewed as estopping anti-trust action by the Justice Department. The legislation would require the banking agencies immediately to notify the Justice Department as to the receipt of any application for acquisition or creation de novo of a service affiliate by a bank holding company.

Tie-In Sales

"Tie-in sales" between any bank or other affiliate of a bank holding company should be prohibited.

Definition of a Registered Bank Holding Company

Inasmuch as control of a bank whose stock is widely held might be effected with considerably less than 25 percent of the stock ownership, the legislation should strengthen the authority of the banking agencies to rule, on the basis of substantial evidence, that control in fact may exist even though less than 25 percent stock ownership exists.

GIVEN THESE FACTORS OF CONSIDERATION, THE FOLLOWING ARE THE KEY PROVISIONS OF THE ADMINISTRATION PROPOSAL ON ONE-BANK HOLDING COMPANIES:

1. Expand the definition of the Bank Holding Company Act of 1956 to include:
 - (a) any company owning 25 percent or more of the shares of any one commercial bank;
 - (b) any company exercising effective control over one or more banks even though share ownership is less than 25 percent -- to be ruled by the relevant banking agency on the basis of substantial evidence.
 - (c) partnerships holding 25 percent or more of the shares of one commercial bank.
 - (d) banks or trust companies which hold in trust 25 percent or more of the shares of one commercial bank. (This removes a specific exemption currently in the Bank Holding Company Act.)
2. Substitute a new Congressional mandate for the current provision of subparagraph 4(c)(8) of the 1956 Act, which now permits registered bank holding companies to acquire "shares of any company, all the activities of which are of a financial, fiduciary, or insurance nature and which the [Federal Reserve] Board ... has determined to be so closely related to the business of banking ... as to be proper incident thereto ..."

The amendment of 4(c)(8) would permit registered bank holding companies to acquire shares of any company which the banking agencies have determined "to be financial or related to finance in nature ..."

Note: Experts believe that the existing language of 4(c)(8) now permits full-scale financial or financially-related activity on the part of affiliates of registered bank holding companies, and in fact the Federal Reserve Board is reported to be moving toward such an interpretation. However, the existing language is manifestly unclear as a mandate from Congress.

(The types of services to be offered would be of the types that banks are already offering -- e.g., computer services, mortgage services, factoring, credit cards, etc. -- but which in some instances, because of the lack of clarity of the Congressional definition of the "business of banking," are being attacked in the courts.)

3. At present the administration of the Bank Holding Company Act is vested exclusively in the Federal Reserve Board. The amended 4(c)(8) would --

- a. Vest authority for defining the new mandate as an operational matter, in the three Federal banking agencies -- the Comptroller of the Currency, the Federal Reserve Board, and the Federal Deposit Insurance Corporation. The three agencies would be directed by the Congress to meet jointly to establish a guideline list of accepted non-banking financial or financially-related activities, this list to be determined by the unanimous vote of the three agencies, with each having one vote;
- b. Disperse the authority to administer 4(c)(8), now resting exclusively in the Federal Reserve Board, among the three Federal banking agencies along traditional jurisdictional lines. That is, the Comptroller of the Currency would have supervisory responsibility for the 4(c)(8) activities for all registered bank holding companies in which the dominant banking assets were of national banks; the Federal Reserve Board, for those in which the dominant banking assets were of State member banks of the Federal Reserve System; and the FDIC, for those in which the dominant banking assets were of insured state banks not members of the Federal Reserve System.

(Note: This approach provides for uniformity of standards in administration of the new Act without disrupting the jurisdictional areas of Federal bank supervision and without the forced consolidation of the agencies, a step which Congress has refused to take. In fact, with the exception of the Bank Holding Company Act of 1956, all bank regulatory statutes of recent years have in fact dispersed the supervisory authority in this way.

(This provision can be viewed as a statutory extension of the efforts of the past and current administrations to coordinate bank supervision, within the three agency approach. The Coordinating Committee on Bank Supervision which was established

by President Johnson has been effectively working for coordinated actions without forced consolidation.)

4. Require the three Federal banking agencies to file annual reports with the Congress concerning their administration of 4(c)(8).

(Note: It is recognized that the powers granted the agencies to interpret 4(c)(8) would be significant, and that their interpretation should be subject to continuing Congressional scrutiny. The requirement of unanimous agreement among the three agencies and annual reports to the Congress should assure that the mandate is interpreted according to Congressional intent.)

5. Provide a grandfather clause with an effective date of December 31, 1968. This means that the structure of a one-bank holding company as of that date would be left undisturbed with no divestitures required. However, all acquisitions by any registered bank holding company after the effective date of the grandfather clause would require the prior approval of the relevant Federal banking agency, and this approval would have to be consistent with the new mandate in 4(c)(8) as interpreted by the joint interagency banking group.

(Note: This means that a conglomerate corporation that already owns one bank as of December 31, 1968, would in effect be prevented from any acquisitions in the future, which could not meet the test of the amended 4(c)(8), and would have to divest any such acquisitions that occurred between December 31, 1968 and the date of enactment of the bill.)

6. Continue the authority presently provided for in the 1956 Act for the Federal Reserve Board to be the sole regulator with respect to bank acquisitions by multibank holding companies.

(Note: Although the financial or financially-related non-bank acquisitions under 4(c)(8) would be dispersed among the three agencies along traditional jurisdictional lines, it is believed that, in keeping with the desire not to disturb the basic existing regulatory structure in this bill, it is better to permit the Federal Reserve to continue to administer this part of the Act, which it has done since 1956.)

7. Provide for authority in the relevant banking agency, under guidelines established by the interagency group, to approve the acquisition by a bank holding company of the shares of a company "that operates exclusively in a local community or area if the appropriate banking agency determines that such retention or acquisition will be beneficial to the community or area and will not give an undue competitive advantage either to the company or to the bank holding company or its subsidiary banks and is not otherwise inconsistent with the purposes of this Act."

(Note: This provision recognizes the constructive contributions that one-bank holding companies which include certain non-financial activities have made and can continue to make to local communities throughout the nation. Most of the 550 or so one-bank holding companies in existence in mid-1965 fall in this category.)

8. Explicitly prohibit "tie-in sales" between any bank or other affiliate of a bank holding company. Enforcement authority of this provision should be vested in the Justice Department and the relevant banking agency.

9. Require the Federal banking agencies immediately to notify the Justice Department as to the receipt of any application for acquisition or creation de novo of a service affiliate by a registered bank holding company.

(Note: This proposal would facilitate timely Justice Department intervention if the proposed acquisition appeared to violate the anti-trust provisions of either the Sherman or Clayton Acts.

(In addition, the legislative history, including testimony of Administration and banking agency witnesses, should make it explicitly clear that nothing in the proposed amendments is either intended or should be implied as a dilution of the authority of the Justice Department in its anti-trust enforcement.

(It should also be made clear that any action by a Federal banking agency approving an acquisition under 4(c)(8) should in no sense be viewed as estopping anti-trust action by the Justice Department.)

10. Make clear either by statute or by the legislative record, as may be necessary, that nothing in the proposed legislation is to be viewed as authorizing either banks or their 4(c)(8) affiliates to engage in any activities heretofore explicitly prohibited by statute.

(Note: For example, there is no intention for this legislation to permit banks to engage in securities activities, underwriting of revenue bonds, or other activities that Congress has expressly prohibited in the past.)

DRAFT

Dear Mr. Chairman:

I assure you that the Administration still supports adequate regulation of affiliate acquisitions by one-bank holding companies. We were therefore pleased that the bill reported by your committee -- on a vote of ____ to ____ -- was generally consistent with the principles set forth in the Administration's testimony and proposed bill.

Although I have not had an opportunity to study the bill passed by the House on _____, I have been informed that it differs significantly from both the Administration bill and the Committee bill by specifically prohibiting banks and their affiliates from providing financial competition to certain nonbank enterprises. I intend to study these provisions carefully when I assume my new duties on February 1.

As to the establishment of a Presidential commission to study financial regulation and structure, I am convinced that such a step is long overdue. Several bills with similar goals have been introduced in the Congress, including a recent one sponsored by several of your Committee associates. Although the major purpose of any such commission study should be much broader than the questions raised by the one-bank holding company matter -- I refer specifically to the capacity of our financial institutions to finance the huge

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needs of the 1970's, the question of what is "functionally related to banking" (the language of the House bill) is surely an appropriate part of the agenda.

To the best of my knowledge, there is no intention on the part of the Administration to call for a delay in consideration of one-
bank holding company legislation. We still favor the enactment of
a reasonable bill at the earliest practicable date. However, it
would be quite understandable if the Senate Banking and Currency
Committee decided to adjust its schedule on the legislation in order
to receive the benefit of the Commission's analysis and recommenda-
tions.

Sincerely yours,

According to Walker:

*For a year there have
been no acquisitions by
a national bank that
have not been approved.*

*Also there have been no
acquisitions of ^{national} banks since
February that have not been
approved.*

*This situation will continue
for economic reasons until
a bill is passed.*

DRAFT LETTER TO PRESIDENT FROM SENATORS SPARKMAN AND BENNETT

Dear Mr. President:

We strongly commend the decision, announced in your Economic Report, to appoint a panel of distinguished citizens to study the financial structure and make recommendations to you for needed changes. As your Council of Economic Advisers so aptly points out, the financial services needed in the future will differ from those that are appropriate today and the demands on the flow of national savings will be heavy. Accordingly, they reason, this nation's financial institutions and financial structure must have the flexibility that will permit a sensitive response to changing demands.

As Chairman and ranking Minority Member of the Senate Committee on Banking and Currency, we are keenly aware of the responsibilities the Congress shares with you in this important area. Unfortunately, the problems which confront us are increasingly complex, and the analysis and study on which to base answers to the problems are all too scarce. Let us cite only three examples.

Inasmuch as financial institutions are subjected to varying degrees of Government regulation, the extent of that regulation must be carefully calibrated if innovation and competition are to be fostered rather than stultified. Yet the system of regulation for deposit-type financial institutions -- commercial banks, mutual

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savings banks, savings and loan associations and credit unions -- has grown without plan. The needs of the 1970's may not at all be served by a regulatory network that evolved largely in the depression of the 1930's.

Your distinguished panel could therefore provide significant help to our committee by suggesting revisions in the regulatory structure.

Second, legislation passed by the House and now pending in the Senate would specifically delineate the functions of commercial banks and their affiliates. We do not prejudge this issue. But clearly the systematic studies which your commission would carry out could be of inestimable help in our deliberations on this important matter.

Third, for the second time in only four years, the process of savings "disintermediation" -- or the shifting of funds from the deposit-type financial institutions to more attractive market investment -- has impinged sharply on the availability of funds for housing. The result has been an almost disastrous contraction in housing construction. Congress can and must deal with this problem, but we should do so only on the basis of the type of solid analysis that your commission can supply.

Because of the importance of these and many other issues in solving the financial problems of the 1970's, we look forward to receiving ^{the} ~~both interim and final~~ reports on the commission's recommendations. And, needless to say, we stand ready to cooperate to the fullest in expediting the commission's work.

Respectfully yours,

John J. Sparkman
Chairman

Wallace F. Bennett
Ranking Minority Member

*Answer merely
thanks & we will
send reports as
soon as they
come in*

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

Bobby Stewart
for
Commercial Bank

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The Nature and Control of One-Bank Holding Companies

by CARTER H. GOLEMBE ASSOCIATES, INC.

distributed as a public service by
THE CORPORATE OWNERS OF ONE BANK

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This study treats the development of one-bank holding companies in terms of the relevant supervisory and legislative environment. In particular, it considers whether there is need for additional statutory or regulatory restraints on the formation and operation of such companies. But this study is not addressed to the question of whether there will be legislation, or to the form which it may or should take. It is concerned with whether or not legislation is needed—an issue which may be lost in the controversy that is likely to develop.

BACKGROUND

The Bank Holding Company Act of 1956 defines a bank holding company as one which owns twenty-five percent or more of the stock of a bank. Bank holding companies can be further classified as registered or nonregistered.

Registered Bank Holding Companies

A bank holding company must register under the terms of the 1956 Act if it owns or controls two or more banks; it need not register if only one bank is involved. As of December 31, 1967, there were seventy-four bank holding companies registered in accordance with this statute. These holding companies had a total of 603 banks, with 2,085 branches, and deposits amounting to \$49.8 billion. Banks and their branches included in registered bank holding companies comprised 8.6 percent of all commercial banking offices and held 12.6 percent of commercial bank deposits.

Supervision of registered bank holding companies is exclusively within the province of the Board of Governors of the Federal Reserve System. Under essentially the same standards that are contained in the Bank Merger Act of 1960, as amended in 1966, the acquisition of banks by holding companies registered with the Federal Reserve must be approved by that agency. Registered bank holding companies are prohibited from engaging in activities unrelated to the business of banking, except as allowed specifically by statute. The statute allows a registered bank holding company to own shares in any company engaged in 1) holding or operating properties of the bank subsidiaries, 2) conducting a safe deposit business, 3) performing services for the holding company or its subsidiaries, 4) activities of a financial, fiduciary, or insurance nature and which the Board of Governors has determined to be so closely related to the business of banking as to be a proper incident thereof, and 5) foreign banking.

One-Bank or Unregistered Bank Holding Companies

One-bank holding companies, *per se*, are not subject to supervision by any specific Federal agency. However, the banks involved are subject to supervision by one or more of the three Federal banking agencies, except in the case of an uninsured bank, in which case it is regulated by the appropriate state authority. According to the Board of Governors of the Federal Reserve, there were 684 one-bank holding companies as of September 1, 1968.

For the purposes of this study it may be helpful to categorize one-bank holding companies as follows: 1) the "traditional" one-bank holding company, 2) the "conglomerate" company, and 3) the "congeneric" bank holding company.

What we have termed the "traditional" one-bank holding company probably comprises a majority of the total of 684 such companies mentioned earlier. In general, these involve small banks in which it has been found feasible or attractive to have ownership in the form of a corporation rather than by individuals. Many of these are long established companies.

The second group of one-bank holding companies consists of organizations in which the bank is a minor part of the corporation's activities or holdings. Some of these also have been long established. Some large corporations or conglomerates have acquired banking institutions in the course of constructing a business complex. These may include a variety of corporate businesses, and it is felt that ownership of a bank will be of assistance for the successful operation of the conglomerate. The activities of these conglomerates have been well publicized. For example, CIT Corporation purchased Meadowbrook National Bank, and now Xerox is considering a merger with CIT.

The third type of one-bank holding company—the financial congeneric corporation—is that which is organized by a bank, and it is intended

that the bank be the major component of the holding company organization and that the other components of the holding company engage in businesses which are financial in nature or which can be reasonably related to banking.

Within the past year or so some 49* such holding companies have been organized or are in the process of organization. In most cases the banks involved are of a substantial size, and the aggregate deposits of these banks are slightly greater than the deposits held by registered bank companies.

Factors Leading to the Organization of Financial Congenerics

To understand the reason for the appearance of financial congenerics during the last several years, as well as to properly evaluate proposals for their regulation, it is necessary to review briefly several significant banking developments.

At the conclusion of the 1930-33 depression, commercial banking was subject to probably the most complete set of regulations in its history. The legislation enacted during or immediately subsequent to the depression represented the final layer of restraints which had been placed upon commercial banking over a century and a half. The enactment of these restraints usually followed a financial panic or economic collapse.

The general mood in 1933, and for several years thereafter, was one of rejection of competition and the endorsement of regulation supervision as a means of restoring the economy. The attitude that regulation should replace the free working of the marketplace was pervasive.

Banking emerged from the depression with some liberalization of the tight geographic restrictions on its activities. But a developing movement toward a substantial liberalization—in the form of new or expanded branch banking laws—had been halted, in large part because of the adoption of deposit insurance legislation. One of the major arguments for permitting banks to expand their geographic market through branch banking was to obtain greater safety through the diversification or risk, but when safety was obtained by Federal deposit insurance legislation, the drive for expanded branching authority came virtually to an end.

At the same time, price control legislation, designed in the early 1930's to protect businesses

*Based on figures compiled by the *American Banker*, October, 1968.

against the forces of competition, was extended to banking in the form of a prohibition of payment of interest on demand deposits and the imposition of ceilings on the payment of interest on savings and time deposits.

Additional regulations were adopted when certain banking activities were judged to involve undue risks for commercial banks. In 1933 legislation was passed which separated the securities business from banking. In effect, this reinforced earlier legislation that prohibited banks from engaging in certain practices deemed to be inimical to the safety of the bank.

The world of 1968 is far different from that of 1933. One of the most significant developments has been the commitment on the part of the Federal Government—as expressed in the Employment Act of 1946—to employ its monetary and fiscal powers to prevent depression. The economic ground rules have changed so markedly since then—particularly in terms of the influence of the Federal Government on the economy, and the vastly increased knowledge of the causes of economic declines as well as greatly increased powers of the Federal agencies—that it is unlikely that severe contractions can reasonably be expected. The problem of the future is more likely to be that of controlling inflation rather than preventing economic contraction.

There have been several developments since 1933 that are of major significance for commercial banks. First, the attitude of the government and the courts toward competition among banks and between banks and nonbank financial institutions cannot be overemphasized. By statutory direction and by judicial interpretation, commercial banks are constantly prodded to engage in competition that would have been unthinkable in the early 1930's. This simply reflects the change in attitude with respect to all businesses, but for commercial banking the change has come only recently. Indeed, it was not until 1963 that it was even clear that banks were subject to the antitrust laws, particularly Section 7 of the Clayton Act. Thus the pendulum has swung through its full arc, from the terminal points of bank safety to bank competition.

Another significant development is the change in the composition of bank liabilities. The full emergence of the Federal Reserve as a central bank after 1933 inevitably led banks to enter into the type of deposit and lending business

from which they had refrained in earlier years. The impact was delayed by World War II, as well as by the preponderance of bank assets held in the form of U.S. Government obligations. But since 1951, when the Federal Reserve recovered its independence from wartime financing constraints, it has been quite clear that if commercial banks were to grow at a pace consistent with the demands of the economy, it could not be through dependence on demand deposits. Thus the years since 1951 have seen a remarkable growth in savings and time deposits in commercial banks while the growth of demand deposits has been much slower. The increasing dependence of commercial banks on savings and time funds, coupled with the costs and challenges this entails, probably is the most significant development of the last several decades.

No summary of this type would be complete, however, without mention of the technological developments of recent years. It is perhaps sufficient to note that commercial banks are in a position to obtain very substantial efficiencies of operation through the utilization of equipment in the computer and allied fields. To make most effective use of these advances, banks are under constant pressure to expand the scope of their business, both in terms of geography and services.

Against the foregoing background, it becomes apparent why financial congenetics have been organized in recent years. A burgeoning economy is making greater and more complex demands upon banks and other financial institutions. Substantial changes in the banks' deposit mix have added to banking costs significantly, while technological developments hold out promise for substantial savings. From many quarters bankers are being urged—indeed impelled—to become more competitive, while banking generally is still subject to the regulatory framework developed in the early 1930's. Moreover, when attempts are made to respond to these various pressures, banks frequently find that one or the other of the regulatory agencies—the Federal Reserve most notably—is unsympathetic to expansion, or that competitors in fields which banks attempt to enter seek assistance from legislatures or the courts to restrain them on the grounds that the particular activity is not a "proper" part of the banking business.

The congeneric form makes it possible for subsidiaries of the holding company to enter

into financial services. The movement toward financial congenetics is, essentially, part of a larger movement which has seen substantial conversions to national charters, and a widespread program designed to update and modernize state banking laws. It is conceivable that at some future date changes will occur in regulatory attitudes or statutory provisions that will make the organization of financial congenetics less attractive. In fact, recent ruling with respect to subsidiary corporations and loan production offices by the Board of Governors of the Federal Reserve could have this effect. Nevertheless, for some banks the congeneric form continues to offer the degree of flexibility that is most desirable. Therefore, the basic question remains: Can this type of bank expansion be left to develop in its own fashion or should it be restrained?

Is Additional Regulation or Control Needed?

The organization of financial congenetics has led to proposals for additional governmental regulation of one-bank holding companies. In part, these proposals reflect a sincere concern about these new developments. In part, however, they are a characteristic reaction to any important banking innovation—namely, to stop it or control it. This section considers the need for regulation or control in terms of public policy objectives and the nature and operations of financial congenetics.

It might be well at the outset to dismiss one particular argument for additional controls: The Bank Holding Company Act of 1956 contains a "loophole." The Bank Holding Company Act of 1956 was designed to identify such companies and to control their acquisition of commercial banks. The concern was directed primarily at centralized control of a large number of commercial banks. While it is true that consideration was given to regulating or controlling the non-bank activities of one-bank corporations, no abuses could be identified in the combination of non-bank activities and banking where only one bank was involved. Therefore, while the inclusion of one-bank holding companies was debated, their omission from regulation was deliberate and scarcely justifies the use of "loophole" terminology today.

Public Policy Objectives

There are two public policy objectives that are relevant in evaluating any proposal for additional legislation to control the formation or activities

of financial congenetics. The first is the responsibility to protect the public against the destructive consequences of bank failure. The second is to assure the continuation of a free enterprise system by preventing an undue concentration of economic power, whether in banking or any other field. Excessive economic power is viewed as harmful because of its anti-competitive effects and because of the possibilities it offers for self-dealing, favoritism and certain other illegal or unethical practices.

Virtually all banking controls reflect one or the other of these public policy objectives. The validity or importance of these objectives is not disputed in this study. Rather, attention is focused on whether there is anything in the organization or activities of financial congenetics which makes difficult or impossible the attainment of these objectives under existing law.

Bank Soundness

Banks are regulated, and to a certain extent controlled, in the scope of their activities in order to protect the public against the possible consequences of bank failure. This simple fact is in danger of being obscured by the contention that there exists a definition of what constitutes the "proper" business of banking, and that this definition must be constantly restated and reinforced by statute.

The proper business of banking runs the gamut of every conceivable financial relationship which can exist in a modern society. The fact that some of these are prohibited to commercial banks does not mean that they are not part of the banking business. It simply means that, wisely or unwisely, it has been felt that certain activities might endanger the banks. Thus the banking legislation of 1933 and 1935, for example, was not designed to return the banking business to some standard from which it had strayed, nor was it intended to protect other institutions providing financial services from competition by banks. In a recent article in *Banking Law Journal*, July, 1968, Henry Harfield submitted that:

The Banking Acts of 1933 and 1935 seem generally regarded as a determination on the part of Congress to segregate and limit the activities of commercial banks. Nothing could be further from the truth. The banking legislation of the early 1930's fitted precisely into the pre-existing concept of legislation to protect the banks, and by protect-

ing the banks to protect the public the banks served, rather than to stultify their development. The divorce of commercial banking from the securities business was intended to protect the public, not to deprive the public of freedom of choice in the provision of services. It was designed to protect the bank and not protect the securities dealers.

The distinction is important. Evaluation of the need for additional controls over financial congenetics and other one-bank holding companies can be made either in terms of some concept of a "proper" business of commercial banking or in terms of whether this kind of banking business unduly adds to risks taken by banks. It is submitted here that the second is the proper approach. Viewed in this way, the relevant question then becomes whether the organization and operation of financial congenetics in any way make it more difficult for Federal or state regulatory authorities to protect the public against the consequences of bank failure.

The bank which becomes part of a financial congeneric in no way insulates itself from the full weight of bank regulation as it has been developed over a century and a half. No present limitation on the operations of the bank is altered, no standard is changed, no visitorial right by supervisory authorities is diminished.

There is, however, the question of whether the affiliates of the bank might endanger its safety and whether the regulatory authorities possess sufficient power to check the development of such situations. At this time no one can say with any certainty that an activity in which a financial congeneric may engage will be so risky as to endanger the safety of the bank. There is nothing in the public pronouncements of the recently organized congenetics to suggest involvement in any activity that could constitute a threat to the solvency of the bank and therefore to the paramount interest—from the public policy point of view—of the depositors.

Indeed, it could be argued that if such activities, i.e., those involving greater risk, were being considered, then the organization form of a bank holding company provides a better vehicle for these activities than a bank. The reason being that if a bank were permitted to engage in activities involving greater risk, then the losses would be borne solely by the bank.

However, if a financial congeneric engages in these activities, then the impact of the losses would fall upon institutions separate from the bank itself.

The point is so obvious that it is surprising that it has not been grasped by some critics of the financial congeneric. For example, the *Wall Street Journal* recently commented that, "it is hard to see how what is unsafe for the bank will suddenly become safe for the new holding company and its big bank subsidiary." Apart from the fact that there is no evidence that any financial congeneric is considering a financial operation which is deemed unsafe, it should be evident that it is precisely because of the separation of the bank from the other related activities deemed "unsafe" that the financial congeneric makes it possible for a bank to do indirectly what many would believe it should not do directly.

Assuming, however, that financial congenetics will engage in activities which, although quite properly deemed as banking business, are nevertheless thought to be unduly risky, are the regulatory authorities at a loss to protect the bank and its depositors from such developments? Here a definitive answer cannot be given, and appropriate weight should be given to the opinions of the banking agencies. However, a review of the statutes would suggest that Federal regulatory authorities—along with many of the state authorities—already possess powers more than sufficient to take care of such a hypothetical situation.

12 U.S.C. 221a makes it quite clear that the congeneric corporation would be an affiliate of a national bank and would therefore be subject to the examination provisions provided for the Comptroller of the Currency in the case of national bank affiliates. Similar powers are conferred on the Board of Governors of the Federal Reserve System and on the Federal Deposit Insurance Corporation.

It will be sufficient to summarize **12 U.S.C. 481**, setting forth the authority of the Comptroller of the Currency with respect to the examination of the affiliates of any national bank: In carrying out such an examination, the examiner is empowered to administer oaths to the officers, directors and employees of the affiliate. The expenses of the examination are borne by the affiliate, and the Comptroller is authorized to publish a report of the examination of the

bank or of the affiliate. In the event that the affiliate refuses to permit an examination or to give information to the examiner, the Comptroller is empowered to forfeit all of the rights, privileges, and franchises of the bank. Moreover, if the affiliate of a national bank refuses to cooperate in an examination, the bank may be subject to a penalty of not more than \$100 for each day that such refusal continues.

The supervisory agencies also appear to have adequate control over loans to affiliates, such as those provided for in **12 U.S.C. 371c**. Generally, an insured bank (national or state) cannot loan an amount that exceeds ten percent of its capital to an affiliate and not more than twenty percent to all affiliates.

Very substantial powers were granted to the Federal bank regulatory agencies under the Financial Institutions Supervisory Act of 1966 (commonly referred to as the Cease-and-Desist Legislation). In general, the appropriate Federal banking agency is authorized to issue cease-and-desist orders for any unsafe or unsound practices by the bank and for any violation of any statute, regulation or agreement entered into by the bank with the agency. The language appears to be more than sufficient to permit a Federal banking agency to assert jurisdiction and to take proper action in any case in which it believes the solvency or the liquidity of the bank is likely to be threatened.

Concentration of Economic Power

Probably the greatest concern of many individuals who have been observing the organization of financial congenetics is the possibility that these institutions will be able to amass an undesirable amount of economic power. Thus it is pointed out, quite correctly, that since there is no specific Federal regulation of financial congenetics there is nothing to prevent any of them from acquiring a very substantial nonbank corporation. What is to prevent, it is asked, a large financial congeneric from acquiring a large, steel, electronic or automobile company? The answer to such queries is: absolutely nothing. Nor is there anything to prevent a large, steel, electronic or automobile firm from acquiring a bank. Aside from whether this is a practical question, the real issue is whether competition is enhanced or diminished, and if the latter, whether new legislation is needed.

There would appear to be no reason why

the nation's antitrust laws would not apply as well to acquisitions by financial congenetics as to acquisitions by any other institution. It is quite clear that banking itself is subject to the antitrust laws, but even if this were not the case, there is no exemption for a financial congeneric corporation from the antitrust laws. The Department of Justice has taken action against conglomerate mergers. Moreover, in its recent guidelines the Department has made it quite evident that it intends to be alert to any developments along this line which appear to run afoul of antitrust standards.

While there seems little reason to be concerned over the power or scope of authority of the Department of Justice, it could be argued that if antitrust considerations are to be applied, it should be through the Federal banking agencies. Such an approach was attempted in the Bank Merger Act of 1960 and again in 1966, both of which were less than successful. Indeed, banking now stands in a less favorable position with respect to the antitrust laws than do nonregulated industries.

It should be reiterated that one of the driving forces behind the organization of congenetics was the attempt of banks to offer additional services in areas in which they are now not active or in which their activities are fairly well circumscribed. As already noted, when banks have attempted to do this directly or through subsidiary corporations, they have been challenged in the courts by those already in the field who, of course, are seeking to ward off additional competition. Those who worry about excessive concentration of economic power should keep in mind that the first, and possibly the only, result of the establishment of financial congenetics will be to increase the competitive environment within which banks operate, rather than to diminish it.

Finally, it should be added that the congeneric corporation would also be subject to the jurisdiction of the SEC, the Federal Trade Commission, and the Department of Justice. Therefore, such abuses as tie-in loans or other self-dealing arrangements would be subject to statutes or regulations already in existence. Indeed, by reason of organizing a financial congeneric, the bank in effect places itself under a larger body of regulation than if it were to attempt to engage directly in some of the businesses now contemplated.

Comments on Possible Legislation

At this writing the nature of legislation which will be proposed relating to the organization and activities of financial congenetics is not known. Nevertheless, it seems probable that one such proposal will be to expand the authority of the Federal banking agencies to control these organizations, possibly by changing the definition of a registered bank holding company to embrace one-bank holding companies—thereby placing the authority within the Federal Reserve—or perhaps by distributing the new regulatory authority in the traditional manner, among the three Federal bank regulatory agencies.

If the Bank Holding Company Act of 1956 is to be amended along the lines indicated, then it should be noted that an additional responsibility is being placed upon the Federal Reserve rather than accomplishing a simple extension of an existing responsibility. That is, the Federal Reserve will not only be asked to regulate the spread of bank holding companies in terms of acquisitions of banks, but also to decide upon the ways in which banks shall expand their services. **It should be remembered that a financial congeneric corporation is not attempting to acquire new banks, but rather is attempting to provide additional services.** Indeed, under present law, if a financial congeneric acquired even a second bank it would have to divest itself, in many instances, of some of the other corporations in the holding company. Similarly, a distribution of new authority among all three Federal banking agencies involves an extension of bank regulatory powers beyond those which are traditionally thought to be proper for banking agencies.

The principal question to which this study is addressed is the need for new or additional controls over the formation or operation of financial congeneric corporations. In analyzing this question, attention was directed first at the background information and then at the reasons impelling some banks to organize financial congenetics. The following summarizes the information presented and sets forth the conclusions of the writers.

Summary

1. Financial congenetics are a special form of the one-bank holding company, organized to permit banks to diversify their activities. They may be distinguished from the more traditional type of one-bank holding company and from

conglomerates which include a bank within the corporate framework.

2. During the past year or so 49 financial congeneric corporations have been organized or are in the process of organization. The banks involved are typically of substantial size.

3. The organization of financial congeners is a reflection of underlying forces compelling commercial banks to seek new and profitable outlets for investment of funds, in a regulatory and statutory environment which hinders such attempts. The most significant pressures are the new competitive attitudes, the increasingly strong concentration of deposits in savings and time funds, and the cost-saving advantages of technological advances. Limitations on engaging in new activities are found in regulatory attitudes and in opposition from competitors.

4. The public policy of objectives relevant to a consideration of controls over the formation or operation of financial congeners are: a) protection of depositors by maintaining bank soundness, and b) prevention of an undue concentration of economic power

5. Present powers available to Federal bank regulatory agencies—including the authority to examine affiliates and the broad new powers under the Financial Institutions Supervisory Act of 1966—appear to be adequate to assure that bank operations, whether or not the bank is part of a financial congeneric corporation, are not conducted in an unsafe or unsound manner

6. The financial congeneric form of organization would appear to offer more, rather than less, protection for bank depositors in the case of

any new business which might involve added risk, since the expanded risk would not be related directly to bank assets or capital.

7. Present statutory authority held by the Department of Justice seems adequate to guard against the development of financial congeners with an undue amount of economic power. Competition in certain areas probably would be enhanced rather than restricted.

8. Financial congeners will be subjected to regulation by such agencies as the SEC and FTC, thus providing the traditional governmental safeguards against conflicts of interest, self-dealing, etc.

Conclusions

At this time we see no need for new legislation designed to limit or control the formation or activities of financial congeneric corporations. This conclusion is based on the belief that public policy objectives can be attained through statutes already in force and agencies already in being. Moreover, we view with some concern the possibility that hasty legislation will halt a most promising movement which may result in more effective competition in many areas.

Nevertheless, the foregoing conclusion is subject to change if there is any clear demonstration that existing law will not permit the appropriate governmental agencies—bank and non-bank—to achieve the two basic public policy goals of depositor safety and avoidance of an excessive concentration of economic power. Should abuses develop, or if it can be shown that existing law is powerless to prevent such abuses, then legislation will be necessary.